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## **East Europe**

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# East Europe

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## CONTENTS

17 OCTOBER 1988

### POLITICAL

#### CZECHOSLOVAKIA

Historical Chronology of Prague Spring, Soviet Objections Detailed .....	1
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#### HUNGARY

Parliamentary Rules Change, No-Confidence Vote, Caucusing Supported .....	16
Party College Introduces Political Science as Discipline .....	19
Iacocca's Book Published in Hungarian, Avidly Read, Praised .....	21

#### POLAND

POLITYKA Weekly News Roundup .....	22
Deputy Minister Discusses Progress on New Association Law .....	25
Press Role in Government-Society Dialogue, 'Pressures' Discussed .....	26
'Kisiel' on Solidarity Mistakes, Marxism as 'Error of History,' Other Issues .....	29

### ECONOMIC

#### INTRABLOC

Bloc 'Dollar Stores': Economic Benefits, Public Opinion Considered .....	34
Bulgaria: High Prices Dominate [Warsaw POLITYKA-EKSPORT-IMPORT 16 Jul 88] .....	34
CSSR: Tuzex Growth Described [Warsaw POLITYKA-EKSPORT-IMPORT 16 Jul 88] .....	35
USSR: More Limited Transactions [Warsaw POLITYKA-EKSPORT-IMPORT 16 Jul 88] .....	36

#### CZECHOSLOVAKIA

Formation of State Enterprises Approved .....	37
Comments on Formation of State Enterprises .....	37
State Enterprises Formed on 1 Jul 88 Listed .....	38
State Enterprises Not Yet Participating in Experiment; Procedure Given .....	42

#### POLAND

Plans To Expand Polish-Soviet Trade Railway Discussed .....	45
Polish Employment in Soviet Industrial Construction Discussed .....	47
Denial of Ownership Results in Ineffective Economic System .....	48
Economic Stagnation Signs: Inflation, Control Mechanisms, Investments .....	50
Changes in Bank Credit Policies Upset Enterprise Habits .....	51
'Market Socialism' Theories, Lange's Model Deemed Impractical .....	53
Sale of Business Shares Below Par Value Advocated .....	56

### SOCIAL

#### POLAND

Moral Damage to Society From Hidden Market, Aping Consumerism .....	59
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## CZECHOSLOVAKIA

### Historical Chronology of Prague Spring, Soviet Objections Detailed

25000255 Budapest MOZGO VILAG in Hungarian  
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[Article by Sandor Fazekas (born 1963 in Karcag, graduated from Attila Jozsef University Law School in 1987, currently legal counsel for an enterprise) and Csaba Kasa (born 1963 in Karcag, fifth-year mathematics major at Lajos Kossuth University): "Czechoslovakia in 1968"]

[Text] Motto: "1948 was the year of change in Czechoslovakia, the year when the construction of socialism began. It continued steadily until the early 1960's but then lost momentum, due to mistakes in economic planning and to violations of socialist legality. The mistakes and the political leadership's loss of self-confidence led to the crisis of 1968. Since then the policy direction in Czechoslovakia has been unambiguously clear."<sup>1</sup>

Reform processes have been unfolding in one socialist country after another in recent years. Today one is hardly able to find a country where this has not occurred. Not even Czechoslovakia is an exception in this respect, although there they tend to call this process "restructuring." The word "reform" is being used with caution in Prague; development or the aforementioned restructuring is preferred instead.<sup>2</sup>

The explanations of this difference in terminology stem from the past and are linked to the essential, substantive, interrelations of the problem, rather than to merely its superficial ones. For, as we very well know, there has already been a stage of socialist development in Czechoslovakia—in the spring and summer of 1968—that its leaders characterized with the word "reform" and which wanted to develop a new type of socialist system, unprecedented to this day. The purpose of this essay is to discuss the principal factors behind the failure of this attempt.

The events of the "Prague spring" of 1968 are not yet history in the stricter sense. And because ideological and political views have undergone repeated changes—or revision, we might say—since then, also the classification of these events is not entirely clear. Perhaps this, too, explains why so few works have been published on this subject, and why the documents of that period are not readily accessible. Therefore it is understandable that the daily press and published statements have been our principal source material, and that in drawing conclusions we have been able to rely only on ourselves.

In Czechoslovakia the Communist Party came to power in 1948, after foiling a takeover attempt by right-wing forces. Klement Gottwald, the well-known internationalist statesman, was president until 1953. It can be said that the construction of socialism began during his term

of office. But, parallel with Gottwald's successes, "also mistakes appeared in his state and party activity from the early 1950's on; while performing his duties as president, his party work suffered; and he succumbed to the personality cult."<sup>3</sup> Among the committed violations of legality, the so-called Slansky trial evoked the greatest reaction. R. Slansky, the party's general secretary, was sentenced to death and executed, on trumped-up charges. After Gottwald's death, A. Novotny became the party chief. Initially he scored considerable successes, and gained great prestige, by gradually reforming the economy and politics, along the lines of Khrushchev's concepts. But his personality cult also contributed toward the setting of voluntaristic economic goals from the late 1950's on. Thus "at its 11th congress held in June 1959, the Czechoslovak Communist Party was already able to set for the Czechoslovak people the goal of completing the construction of socialism in their country under the Third 5-Year Plan (1961-65), and of surpassing every Western European country by 1965 in terms of per capita industrial production."<sup>4</sup>

Retrogression occurred also in politics by the early 1960's. The 1963 plenum of the CPCZ Central Committee confirmed the earlier resolution expelling Slansky and his codefendants from the party. Due to errors in economic policy, the economy began to stagnate as of 1961, the living standard's rise slowed down, and 1967 even ended with a substantial budget deficit. Parallel with this, a crisis of ideology, politics and confidence developed within the party. The first to draw the conclusions from this crisis was the Central Committee itself, at its 19-21 December session where Novotny, under the pressure of circumstances, offered to resign. "The members of the Central Committee are demanding a reform of the entire government and party apparatus, especially a ban on combining the office of president of the republic with that of party chief."<sup>5</sup> But the party's general secretary did not yet resign then, because the Presidium gave him a vote of confidence.

### 1968—Party Embarks on Path of Renewal

The plenum of the Party Central Committee resumed on 3 January 1968. The outcome of the debate that unfolded on Czechoslovakia's social development, and on the situation within the party, was that Novotny "was relieved of his office as general secretary, for having violated Lenin's principles of leadership, and socialist legality."<sup>6</sup> In this context RUDE PRAVO wrote that "a plurality of offices does not enhance the quality of performance and is often too much for one person. The separation of offices is a democratic measure under the present circumstances."<sup>7</sup> Thereafter Novotny retained only the presidency, and A. Dubcek became the general secretary of the CPCZ Central Committee.

The new general secretary had been a member of the Slovak Communist Party since 1939. He took part in the Slovak National Uprising and was wounded twice. After the war he held various responsible posts within the

party; in 1955-58 he completed the Central Party School of the CPSU in Moscow; in 1958-60 he was first secretary of the Bratislava Party Committee; and from 1963 on he was first secretary of the CPSL Central Committee. "He embodies the continuity of party leadership and displays the experience gained during long years of party work," declared the CPCZ Central Committee in its communique.<sup>8</sup>

This document pointed out that "with all its measures the Central Committee is striving to strengthen our party and republic, and is pursuing a single objective: to reinforce the unity of the party and its leadership, to strictly enforce Lenin's norms for party work, to increase the party's ability to take action, and thereby to fully implement the resolutions of the 13th party congress."<sup>9</sup> This essentially meant successful fulfillment of the national economic tasks, and the further development of party policy and of socialist society. At the same time the plenum—in accordance with the concept of building a developed socialist society—focused attention on accelerating the process of defining and making more democratic the division of labor between the supreme bodies of the party and of the government. On the plenum's debate the press carried only the brief communique quoted above; despite demands for a detailed report on the debate, none was ever published. According to J. Hendrych, a secretary of the CPCZ Central Committee, the reason for withholding a full report on the debate was that "the nonconventional debate revealed that today many of the tenets regarding the party's role are controversial."<sup>10</sup> Thus the plenum continued its deliberation of the planks that already the October session of the Central Committee had adopted. These planks were then published in book form and sent to the party committees as a discussion paper. There followed a wide-scale and much-publicized public debate on the party's leading role and its practical realization, and on timely social issues, and the tactical aspects of building socialism.

An editorial in RUDE PRAVO emphasized that "the main content of the CPCZ's leading role is the unification of entire society. Class struggle no longer characterizes the conflicts of interest within society. It would be very unhealthy to seek manifestations of class struggle where the most diverse conflicts are natural and regular concomitants of man's aspirations to progress."<sup>11</sup> Of course, this approach to class struggle differed considerably from the party's earlier standpoint, and it is not difficult to recognize in it the antithesis of Stalin's statement regarding the intensification of class struggle. Also the rest of the editorial contains implied criticism of precepts accepted since Stalin's time: "The active nature of socialist democracy demands that it never become the means of instigating conflicts. Socialist democracy must become the means of achieving a live and developing unity, to make practical cooperation possible among people holding different views. The ideal of democracy must always be combined with the ideal of the individual's freedom and rights. If the ideal of democracy is

replaced by the pressure of authority based on the mechanical relations of command and subordination in the name of entire society, then the content of democracy becomes jeopardized. It is a distortion of the party's leading role if Communists believe that it is their duty to support such pressure, in the interest of unconditional discipline."<sup>12</sup>

During February the Czechoslovak public was occupied with the debate on the Action Program, in party locals and subsequently at okres and municipal-district party conferences. Dubcek's speech on 1 February provided a guideline for this debate. In his speech Dubcek emphasized that the Action Program had to promote fulfillment of the tasks set by the 13th party congress. "The obstacles and distortions that are blocking economic and ideological policy must be removed."<sup>13</sup>

Next, a meeting of the CPCZ Central Committee Presidium considered the new work methods of the Central Committee. The Presidium emphasized that "an atmosphere of complete freedom to criticize, of constructive clashes of contrasting views, must be ensured at sessions of the Central Committee."<sup>14</sup> Proposals were elaborated to develop the party's information system, and it was decided to always issue in future a communique after every meeting of the Presidium and of the Secretariat.

The communique issued after the meeting on 16 February of the CPCZ Central Committee's Ideological Commission likewise contained a significant departure from earlier standpoints. It emphasized that the occasionally encountered attempts at simplification and vulgarization, directed against culture and intellectuals, must be overcome consistently. At the same time it also adopted the position that "the party's bodies and apparatus must concentrate their attention on their ideological and political roles, and they cannot assume the functions of government bodies. Administrative interference is no substitute for communist ideological debate."<sup>15</sup>

In conjunction with drafting the Action Program, the Central Committee deemed it particularly important that in the mentioned document "we have to adapt our party's standpoint to the nature, needs and developmental directions of the present period. Typical of the present stage of socialist development are the rapprochement among the social classes and groups, and the need to consistently introduce economic reform, which meets the requirements of economic development as well as of society's general development."<sup>16</sup> In spelling this out, special importance was attached to developing socialist democracy, society's political system and its management; to liquidating the phenomena of bureaucratic centralism; and to raising to a qualitatively higher level the individual's freedom and autonomy. "In conjunction with this, attention is focused on the requirement that the National Assembly fulfill the function of the supreme body of state power . . . and that the government be fully accountable to the National Assembly concerned with the entire range of political and administrative issues."<sup>17</sup>

A proposal was introduced to improve information activity. The resolution on the Press Law was amended to abolish censorship in the interest of greater openness, and to take away from the Ministry of the Interior the authority to oversee publishing activity. At the same time J. Hendrych was removed from his post as the party secretary responsible for ideological work.

As evident also from the preceeding, the party leadership committed itself to liberalization. But at the same time the party leadership definitely stated that "it does not agree with the spontaneous development of liberalization or with the one-sided interpretation of democracy."<sup>18</sup> In other words, the party leadership maintained control of the process, but at the same time it yielded to the party membership's demands to remove the old leadership's representatives.

At several places, for example, delegates to the party conferences called on Novotny to resign as president. The party conference in Prague's District 1 sent Novotny a letter demanding that he resign voluntarily. Speakers in Bratislava emphasized that the president had lost contact with the working class and, by his actions and attitudes, had forfeited the Communists' confidence. He was also urged to resign from his posts within the party."<sup>19</sup>

Dubcek summed up the main features of the momentary internal political situation in his speech at a party conference in Brno. He emphasized that the members' activity within the party had increased, and their confidence in the party had been strengthened. Solution of the current tasks could not lead to undermining the party's leading role. And he made it clear that the use of force against enemies was not being renounced.<sup>20</sup>

A meeting of the CPCZ Central Committee's Presidium at the end of March summed up the development of the process to date, and also debated the demands for Novotny's resignation as well as the Action Program's main features. At the same time the Central Control and Audit Commission discussed the unlawful actions committed earlier, and also promised that the Slansky and other trials would be reviewed.

The full session of the Central Committee on 1-5 April approved the Action Program. In addition to the reform aspirations outlined above, the Action Program analyzes in detail the causes that led to the mistakes, and it also reviews the successes to date. The document places great emphasis on developing the cooperation of every social stratum, group and nationality, and on strengthening the foundations of socialist unity. This plank gains deeper meaning in the light of the simultaneous declaration that "antagonistic classes have ceased, and the process of rapprochement among all the social groups within our society is typical of our internal development . . . and we will prevent the tools of class struggle from being turned against the workers."<sup>21</sup> This, in their [the leadership's] opinion, is guaranteed when the democratic mode of

asserting different interests brings about the workers' unity. In the reform process the party intended to rely consistently on the working class. They declared: "We are determined to make way for the assertion of all the creative forces which the working class has available for the solution of these tasks and which at present are not being utilized adequately at all."<sup>22</sup> By this they meant particularly the inclusion of workers in the direct management of production, and giving them incentives based on the production results. It was recognized that, from an economic viewpoint, agriculture had to be made entirely equal with industry, and difficult and creative intellectual effort—the activity of intellectuals—with other work. To this end "the bureaucratic-centralistic and sectarian methods of management, respectively their vestiges,"<sup>23</sup> have to be liquidated. It was established that remuneration consistently differentiated in accordance with the principle of performance "is the only effective means of creating the resources that will permit the living standard's rise, and the attaining and guaranteeing of suitable living conditions for every stratum of our society, in the spirit of socialist humanism."<sup>24</sup> The Action Program devoted a separate chapter to the party's leading role. It departed from the old standpoint that the party's leading role must be interpreted as monopolistic concentration of power, the universal caretaking of society, whose purpose is "to bind with its directives every organization and every step in life."<sup>25</sup> Pointing out the path to be followed, the document states that the Communist Party must rely on the voluntary support of the people, "it exercises its leading role not by dominating society, but by serving in the most dedicated manner the free, progressive and socialist development of society. It cannot compel authority, but must continuously earn it through its own actions. Within the framework of democratic rules and the socialist state's legality, the Communists must again strive to gain the majority's voluntary support for the party's policies."<sup>26</sup> Another new element was the adoption of the plank that no party, and not even a coalition of political parties, could have a monopoly of state power; therefore every political organization of the people must be allowed to function directly. In accordance with this, it was decided to implement appropriate changes in the state structure and in the legal norms regulating it (the Constitution, and the Press Law), and to transform society's system of institutions and its forums for the representation of interests. The question of the electoral system was also placed on the agenda: on the one hand, to vest as much decisionmaking authority as possible in the elected bodies; and on the other hand, to enhance society's effective oversight of implementation, by developing a more efficient government machinery and liquidating the excessive centralization of the agencies concerned with domestic affairs, essentially through a division of authority among the various bodies.

It should be noted when evaluating this Action Program that the document was intended to remain in force for a relatively short period, until the next party congress, the

date of which had been advanced. "Its essence is to serve as a common platform for shaping the workers' action unity, to provide stimulation and guidance."<sup>27</sup> In other words, it is not a closed document; it does not spell out in detail the tasks of individual bodies and institutions; rather it leaves up to them the elaboration of details and implementation.

Actually the document analyzed above became the party's platform for the entire period of reform, and there was no official decision on any essential departure from it. We are best able to grasp the subsequent events essentially by fitting them into the process of implementing this party program. Namely, after the beginning of April, the appropriate party bodies began to implement the set objectives in individual partial areas, in the spirit of the adopted resolutions. The document as a whole was regarded as a guideline, which incidentally is standard practice in the case of party platforms. Consequently, the introduction of reforms began simultaneously in every sphere of society's life. This proceeded the more smoothly because already the resolutions of the 13th party congress had called for the implementation of reforms. In other words, the demand for change had already been formulated earlier, but its implementation could begin only after appropriate changes in personnel. Thus, in harmony with the demands of numerous party members, Novotny was finally removed. L. Svoboda, a veteran of the struggle against fascism, was elected to replace him. This marked the start of a process in which mostly new people, dedicated to reform, were placed in positions of leadership in the country's social, economic and cultural life.

The reform envisaged particularly significant changes in the areas of the economy, politics and culture, while in foreign affairs and in relations with socialist countries it adhered to the continuation of earlier policies.

The most comprehensive change in the economy—at least in theory—was the planned introduction of so-called ownership by enterprise collectives, in addition to state and cooperative ownership, so that enterprise collectives might feel even more the masters of their enterprises. It was decided to introduce a new system of managing the economy (an objective, incidentally, also in the other socialist countries at that time, although in a different variant in each country). The new system was based on a synthesis of the plan and the market. "In this synthesis the yardsticks of economic activity will be economic instruments capable of ensuring the attainment of society's objectives, rather than the perfunctory indicators of a plan interpreted as commands from the center," said Dubcek in one of his speeches in April.<sup>28</sup> In addition to developing a new organizational structure of enterprises, raising the standard of living, and increasing Czechoslovakia's ability to compete in the world market, it was deemed important to reallocate resources primarily to agriculture, the consumer-goods and food industries, and the area of services. The necessary capital was

not available because Czechoslovakia, due to the commodity structure of CEMA trade, had receivables—mainly from the Soviet Union—estimated at 1.0 billion korunas, which it was unable to mobilize at that time.<sup>29</sup> Prominent economists—including also O. Sik, for example—suggested that a loan of 500 million dollars had to be obtained to stimulate recovery. At [CEMA's] Dresden meeting (on 3-4 May) the Soviet Union showed no willingness to provide such a loan,<sup>30</sup> and therefore the idea of Czechoslovakia's joining the World Bank was thrust into the forefront of attention.<sup>31</sup> This would have been necessary also because the loan to be obtained was intended almost entirely for the mass import of high technology.<sup>32</sup>

As a part of the opening to the world economy, a trade agreement with the FRG (negotiated when Novotny was still in office) was ratified earlier. Simultaneously it was announced that the trade agreement was regarded as the first step "toward the normalization of relations between the two countries."<sup>33</sup> Which was all the more necessary because Czechoslovakia had counted on obtaining loans also from the FRG.<sup>34</sup>

In politics, the introduction of reforms began on two levels. On the one hand, the ideology of the CPCZ was gradually reinterpreted. And on the other, spontaneous debates and the self-organization of the most diverse social strata were allowed in everyday politics, in agreement with the Action Program.

The man in charge of reinterpreting the party's ideology was C. Cisar, a secretary of the CPCZ Central Committee. According to his point of departure, "certain harmful aspects are undeniable of the fact that the Soviet Communists' generalized experience gradually began to be interpreted as the only possible direction of Marxist theory and Marxist politics, and eventually Leninism was changed into the monopolistic interpretation of Marxism. This monopoly was noticeable especially at the time of Stalin's personality cult. Stalin himself became the sole arbiter of interpreting Marxism and Leninism."<sup>35</sup> This rather sharp attack against the sectarian, rigid, dogmatic perception of ideology can be explained if we examine what new interpretation of Marxism the attack has thrust into the forefront of attention.

"Marxism is a European, specifically a Western European, product: it starts out from the set of values that civilization produced. If it is transplanted into a significantly different cultural environment, and if it must satisfy a qualitatively different set of requirements, then it becomes a qualitatively different system . . . The closest to Marx's program, in my opinion, are the countries that combine socialism with the technical, economic, political and intellectual peak achievements of world culture, in the spirit of creative and revolutionary synthesis."<sup>36</sup>

Tied in directly with this train of thought were the theories of "democratic socialism" and of the "presentation of opposing views within the party," which are related to the efforts to promote pluralism that the party set as one of its objectives. In Cisar's train of thought "democratic socialism" and "democratic centralism" appear as a pair of opposites and an alternative to the bureaucratic and autocratic system of relations. The presentation of opposing views within the party essentially accepted the fact that Marxists may also have opposing views on some issues, and therefore this type of pluralism was considered legal. At the same time, Marxism was not regarded as the party's monopoly. From which it followed that "Marxism-Leninism will not be the state ideology in future, although our state will be socialist, our society will be of the socialist type, and our democracy will be socialist in its nature."<sup>37</sup> It can be established even from these few selected elements that although the interpretation of Marxism bearing the Cisar hallmark differed considerably from the mainstream in Eastern Europe, it remained within the framework set by the Action Program.

From the recognition of intraparty pluralism there followed directly the recognition of pluralism also in everyday politics. This made possible the activation of the legally existing parties whose role earlier had been perfunctory. The membership of these parties increased considerably, and societies and clubs were formed. Parallel with this, the formation of new political organizations also began.

The Club of Dedicated Nonpartisans was formed in Prague on 5 April, and in May it published its platform, which emphasized: "We are starting out from the fact that the members of the existing political parties have opportunity to express their views, formulate their objectives and widely assert their principles on an organized basis, whereas nonpartisans are politically isolated and condemned to political passivity . . . . At present we must regard democracy the target of our efforts, until it becomes reality."<sup>38</sup> Although the nonpartisans organized themselves as a club, they did not question the leading role of the CPCZ. Their leader, I. Svitak, declared: "It would be illusory to assume that the population of this country is anticommunist. In the final outcome, we can thank the forces within the Central Committee for the fact that an illegal club such as ours is able to organize and meet unmolested. After 20 years of Communist rule, revolutionary changes in this country cannot be imagined without the Communist Party. Anticommunism could lead to a political catastrophe."<sup>39</sup>

Not even the Interior Ministry or the organs of State Security raised any obstacles to exercising the freedom of self-organization—without restrictions and supervision—and the freedom of speech. For they, too, had reviewed their earlier position, in the spirit of the Action Program. Interior Minister Pavel summed this up as follows: "The status of the State Security organs, their organizational structure, size, special training, methods,

and the provisions for them will be commensurate with their task of protecting the state from the activities of foreign espionage centers. Any citizen not guilty in this respect may be certain that he will not become the target of the State Security organs' attention because of his political convictions and views, personal creed or activity. The party has clearly stated that this apparatus must not be directed or used to solve socialist society's domestic political issues or contradictions."<sup>40</sup> As a natural concomitant of this tolerance, bourgeois and non-Marxist views could also be aired. Since censorship was abolished, the press provided opportunity to publish practically any kind of view. This is how "The Two Thousand Words" was published, a manifesto reflecting essentially bourgeois liberal views. The first part of this manifesto contains a frank critique of the Communists' postwar activity. Although this critique is not free of exaggeration in several respects, it does concede that "the process of democratic renewal in our country has been in progress since the beginning of this year. It began within the Communist Party."<sup>41</sup> The manifesto indirectly acknowledges the Action Program's plank that the party does not dominate society but is obliged to serve society's interests. However, it adds that "the initiatives and efforts of democratic Communists are therefore merely installments on the entire party's debt to non-Communists whom the party had held in unequal status. Thus the Communist Party does not deserve any thanks. We merely have to admit that it is manfully trying to take advantage of this last opportunity to salvage its own and the nation's reputation."<sup>42</sup> The manifesto continues in this critical vein and does not hesitate to criticize other things as well. But at the same time it states categorically that "we must first of all reject any view, should it ever arise, to the effect that some sort of democratic renewal would be possible without the Communists, or even against them. That would not only be unfair, but also irrational . . . . Nobody else offers so specific a program."<sup>43</sup>

The other main part of the text is the one where the manifesto calls for personnel changes, action against officials who discredited themselves, demonstrations, a fund-raising drive to finance early retirements, as well as strikes and boycotts. But it also mentions separately that "unlawful, unworthy and crude methods that might be used to influence Alexander Dubcek must be rejected."<sup>44</sup> Much of the document is permeated by fear lest the Stalinist methods return and the balance of power shifts back to where it was. After all, during the months of the reform process "we have made statements and revealed ourselves to such an extent that we must definitely carry out our intention of humanizing the system. Otherwise we can expect ruthless retribution from the old forces."<sup>45</sup> Finally, the signers of the manifesto (who were from the widest social strata) expressed their conviction that "we again have an opportunity to take control of our common cause which is called socialism, and to give it a face that better corresponds to our onetime good reputation and to our original, relatively favorable self-image."<sup>46</sup>

Although the most diverse players of the political spectrum were able to publicize their views, as evident also from the selected examples above, and thus a wide-scale public debate could unfold on what path to follow, all this did not detract from the popularity of the CPCZ or of Dubcek personally, but even enhanced it, as we shall see from the data presented below.

According to an opinion poll conducted on 24-26 May, 53 percent of the respondents considered as useful the democratic processes that had begun.<sup>47</sup> An optimistic assessment of the CPCZ's situation was reflected in the answers of the 70 percent of the respondents who did not consider it likely that forces opposed to socialism might attempt to overthrow the political system; according to 30 percent of the respondents, such forces did not even exist. And 87 percent decided in favor of a particular Czechoslovak model of building socialism when they accepted as true the statement that the Soviet experience was edifying, but one had to consider whether it were applicable under the conditions in Czechoslovakia.<sup>48</sup>

By July, the forces supporting the CPCZ gained strength. Then 89 percent of the population favored the construction of socialism, and only 5 percent thought that capitalism was better.<sup>49</sup> Only 16 percent of the respondents mistrusted the CPCZ, as compared with 48 percent a month earlier.<sup>50</sup> It was a significant change that, according to the results of a poll conducted on 18 July, the proportion of those who mistrusted the CPCZ had already fallen to 7 percent.<sup>51</sup>

#### Allies' Attitude Toward Reform Attempt in Czechoslovakia

The transformation in Czechoslovakia evoked keen interest among the fraternal countries and parties from the very beginning, although the process of reassessment that had begun did not affect issues of foreign policy: "On all important issues of foreign policy the position of the Czechoslovak Socialist Republic" remains "unchanged; this applies first of all to our alliance with the Soviet Union, and to Czechoslovakia's position on the German question."<sup>52</sup>

This was evident also in that Dubcek's first foreign trip was to Moscow, on 29 January; followed by his meeting with Janos Kadar in Komarom [Komarno], on 5 February. According to the communique issued after this meeting, "the talks that the representatives of the two parties' central committees held in a spirit of complete understanding, cordiality and sincere friendship revealed a complete identity of views on all the discussed topics."<sup>53</sup>

But it provides food for thought, at least in the light of subsequent events, that the following sentence was not included in the joint communique: "The two sides were of the opinion that everything must be avoided which other parties could construe as interference in their internal affairs."<sup>54</sup> We lack sufficient information to

determine just how this question arose in the talks, but it probably occurred to the Czechoslovak leaders that their reform efforts might not meet with the full support of certain allies. It sounds convincing that the complete identity of views between the two sides, as mentioned in the communique, applied to this question as well.

A coming event of international politics was the Budapest conference of the communist and worker parties, which raised the problem of the international communist movement's unity. To our knowledge, a difference of opinion between the CPSU and the CPCZ first surfaced in connection with this conference. According to Brezhnev, the main purpose of the Budapest conference was to strengthen unity in the ranks of the communists and "the cooperation of all socialist and democratic forces in the struggle against imperialism."<sup>55</sup> It was necessary to analyze the evolved situation, and to modify the tactics and strategy of the struggle against imperialism. "In this way we will be able to make our entire common revolutionary effort more effective."<sup>56</sup>

In contrast to Brezhnev's statement, a striking difference is noticeable in the instructions which the CPCZ Central Committee's Presidium issued for its delegation going to the conference. According to these instructions, the purpose of the conference was "to contribute to the international communist movement's real unity that respects the peculiarities and specific conditions of each country's and party's road [to socialism], but at the same time takes consistently into account the requirements and necessity of international communist solidarity."<sup>57</sup> Aside from the difference of opinion itself, the very fact that the Czechoslovak leaders found it necessary to emphasize, twice within a short period of time, the specific nature of the policy they were pursuing is indirect proof that they had already received negative feedback on this from certain fraternal parties. It is nevertheless noteworthy that repugnancy—i.e., of the kind to which the Czechoslovak leaders responded in the aforementioned manner—had existed already during the period of public debate, even before the party adopted its Action Program. And since the reform process had actually just begun, and was to become radicalized only later, it may also be inferred that the mere idea of the possibility of reforms evoked adverse reactions in some of the allies. We deemed it important to dwell on all this in such great detail because a very likely relationship can be observed between the unfolding and radicalization of the Czechoslovak reform process on the one hand, and the increasingly negative trend of its assessment by the fraternal countries on the other.

Further, but still veiled, indications of disagreement over the process in Czechoslovakia can actually be found in Ulbricht's February speech in Prague. Instead of analyzing and praising the road that the Czechoslovak people had traveled under the leadership of the CPCZ, as would have been customary on such occasions, Ulbricht practically gave a critique of West Germany's new foreign



policy, focusing attention on it.<sup>158</sup> Contrasted with the approving attitude of other allies—Hungary, for instance—this difference cannot be disregarded.

It is again food for thought that the communique issued after the Sofia meeting, on 5-8 March, of the Warsaw Pact's Political Consultative Commission speaks of a "frank and comradely" atmosphere, which in the language of diplomacy has a less positive meaning than the adjectives "fraternal" and "friendly" commonly used in the wording of final communiques.<sup>59</sup> In the absence of source material, it is impossible to identify unambiguously the questions over which the differences of opinion arose.

The next significant foreign-policy event was the 23 March conference, in Dresden, of the six socialist countries' party and government leaders.<sup>60</sup> What the issued communique dwelt on primarily was that "while the economies of the United States and a number of other capitalist countries are experiencing shocks, the socialist countries' economies, developing in a planned manner based on scientific principles, are in a state of uninterrupted growth."<sup>61</sup> Thereafter the conference urged the development of cooperation within CEMA, mainly in the direction of further progress in bilateral relations, rather than the intensification of cooperation. This indicates consideration of the Czechoslovak proposals that assigned a greater role to market forces. The communique then turned to criticising West Germany's Ostpolitik, which was "directed against the GDR and the other socialist countries."<sup>62</sup> It called attention to the "especially great importance of increased vigilance against the aggressive endeavors and subversive activities of imperialist forces," declaring their [the socialist countries'] determination "to adopt the necessary measures for the further rallying of the socialist countries, on the basis of Marxism-Leninism and proletarian internationalism."<sup>63</sup>

The following few lines were undeniably the most timely and most noteworthy part of the communique: "The representatives of the CPCZ and Czechoslovak government gave the conferees a progress report on carrying out the resolutions that the CPCZ Central Committee's January plenum had adopted to implement the policies set by the 13th CPCZ Congress."<sup>64</sup>

Thus it can be established that the conference's agenda included the reform process in Czechoslovakia (already in its early and by no means final form, for then only the public debates preceding the Action Program's adoption were taking place). Otherwise these few published lines can hardly reflect accurately the course of the debate. And they also indicate that originally this part of the communique had been intended to be longer. In the debate that followed the CPCZ's informative report, the conferees expressed their concern "about the recently experienced increasing activity of revisionist and antisocialist elements. These elements want to distort the ideas

underlying the resolutions of the CPCZ Central Committee's latest plenum, in order to undermine the political and economic principles of socialism as well as the leading role of the CPCZ, and to weaken relations between the Czechoslovak Socialist Republic and the [other] socialist countries."<sup>65</sup> This was essentially the first emergence of the theory of "silent counterrevolution" that was subsequently elaborated in detail.<sup>66</sup> Further on, the draft communique contains the following very important statement: "The delegations of the fraternal socialist parties pointed out that this resurgence of antisocialist forces who are supported by the West could lead to serious negative consequences, against which decisive measures have to be adopted already now. The conferees expressed their conviction that the working class, the workers of the Czechoslovak Socialist Republic, under the leadership of their highly experienced Communist Party, would oppose the intrigues of enemy forces, and would ensure Czechoslovakia's further development along the road to democracy and socialism."<sup>67</sup> In sum, then, although the concerns not shared by the Czechoslovak delegation are also expressed, and the tone of the draft communique is optimistic, it nevertheless was not adopted, at the Czechoslovaks' request. The explanation for this might be that the criticism would have provided a trump card for the just recently removed Novotny leadership, and it would have hardly met with the Czechoslovak public's unequivocal approval amidst the liberalized conditions of domestic politics. In the end the conferees issued the already described, more diplomatic, bland version.

Incidentally, we should note that neither version of the communique reflects the debate that took place at this important conference. The very fact that Novotny had been removed from office as president already evoked lively debate. According to V. Bilak, a member of the Czechoslovak delegation, "complete frankness and comradeliness characterized the atmosphere of the Dresden talks. First of all, it was emphasized already in the introduction that every communist party had the right to set its own policy, but as a Marxist-Leninist party it also had to bear in mind that we are not living alone on this planet, and that we share common principles and objectives."<sup>68</sup> Bilak, a secretary of the Central Committee at the time, refers to the allies' concern already about the fact that the CPCZ "has allowed control over the management of affairs slip from its hands when, for example, it permitted the removal of the republic's president from office, without first submitting such an important question to the Central Committee for discussion."<sup>69</sup>

This approach to the events is difficult to understand, because the Central Committee's Presidium decided to force the by then unpopular Novotny's resignation only after receiving, as we have mentioned earlier, a flood of letters and telegrams from party members demanding his resignation. Furthermore, the allies' approach fails to take into consideration that the CPCZ was placing great emphasis at that time on the separation of party and government offices, respectively activities.

Especially interesting are the main points of Brezhnev's statement. "His speech reverberated care, a sincere desire to help and give advice."<sup>70</sup> After assuring the new CPCZ leadership of his full support, he did not miss the opportunity to criticize—as foreign to Marxism, anti-communist, and anti-Soviet—the speeches and manifestations reported in the Czechoslovak press. "The Soviet comrades are unable to comprehend why denigration of the army, the security organs, the people's militia, foreign policy and closest allies is allowed." This is unquestionably a harsh critique of the liberal press and cultural policy after the January plenum. The CPSU leadership disagreed also with the reform plank which stated that different views could occur even within the party. "They wanted to know, for example, how was it possible that members of the Central Committee, and even of the government, were professing antisocialist views."<sup>72</sup> In agreement with the traditional Marxist outlook, then, this view condemns the pluralistic tendencies that unfolded within the CPCZ leadership. And we may associate with this condemnation the open threat admonishing Dubcek to learn "from the history of the communist movement, and from what happened in Hungary in 1956."<sup>73</sup>

In the course of the conference "the Soviet comrades asked many questions . . . They wanted an explanation about what this new type of socialism was supposed to be."<sup>74</sup> They agreed with its positive achievements, but did not miss the opportunity to call attention to the fact that "counterrevolution does not begin immediately with murder, but with demagoguery and pseudosocialist slogans about freedom; the disintegration of the party, government and economic apparatuses; the undermining and disruption of the organs of state power, the army, the state security organs, the courts and public prosecutors' offices; the creation of chaos, the evoking of a sense of uncertainty, and the undermining of discipline; and the intimidation of honest people . . . All these characteristics are on the rise in Czechoslovakia."<sup>75</sup> It can be seen that here, in contrast to the published veiled reference, the theory of "silent counterrevolution" was actually expounded in greater detail.

Nor did the CPSU fail to emphasize that "you must take our agreements seriously, primarily in your own best interest."<sup>76</sup>

After Brezhnev, Gomulka outlined his views. He essentially urged the adoption of Poland's experience and pointed out that "counterrevolutionary forces usually begin their activity with innocent student demonstrations, and by setting various appealing demands."<sup>77</sup> The greatest danger, in his opinion, lies in the failure of the CPCZ, respectively of its leadership, "to recognize" the trend of counterrevolution as a fact.

Janos Kadar, too, spoke in the same vein (since Komarno, in other words, he had modified somewhat the identity of his views with those of Dubcek's). He

regarded as the gravest danger the emergence of "pseudolabor leaders" who attempt to gain the confidence of the masses with all kinds of promises. And he, too, pointed to the lessons of 1956.

Departing somewhat from the preceding speakers, Ulbrich dwelt on the theoretical roots of the shortcomings in the work of the CPCZ, accused the party of voluntarism, and obliquely called attention to the foreign-policy problems—pertaining to the FRG—that this voluntarism, he believed, was causing.

Otherwise the fraternal countries' delegations were rather well informed, which surprised even Bilak. He was forced to admit that "we knew nothing at all about some of the topics raised."<sup>78</sup>

In spite of the criticism, Dubcek and his team succeeded in gaining some time for the realization of their efforts. At the same time, they had to promise that they would "create order." What exactly the conferees meant by this was determined by their political standpoints, and revealed in the final outcome by the process that ended in late August. As we may infer from the policies they pursued after the Dresden meeting, the leaders of the CPCZ used their hard-won time to realize the reform process, to implement it in the spirit of the earlier resolutions.

We may note in general that the opinion of the five powers, to the effect that "the Prague spring" was a "silent counterrevolution," did not change significantly thereafter. Instead, it became public knowledge through the polemics in which they then engaged with the Czechoslovak press; subsequently new elements were added to their opinion, and it became radicalized. By comparison, the frequently recurring summit meetings did not produce anything new in the adopted principled positions.

Actually the same thing can be said also of the bilateral talks held in Moscow early May. Commenting on these talks, Dubcek called his frequent talks with the Soviet Union's leaders natural; he mentioned that the talks dwelt on economic problems, and that his high-level Soviet partners in the talks were informed about the process of development taking place in Czechoslovakia. According to him, the CPSU accepted with understanding the CPCZ's efforts to consolidate the party's authority, but expressed its concern—as equal to equal—lest the process of democratization be used against socialism."<sup>79</sup> The Czechoslovak party leader then declared that "the views of the two parties are identical on the assessment of the international situation, and military cooperation within the framework of the Warsaw Pact is a basic guaranty of Czechoslovakia's independence and security."<sup>80</sup>

Bilak in his quoted report provides further information about the details of this meeting. He claims that Czechoslovakia had requested the meeting, to ask for economic aid. According to Bilak, the talks were very

objective and frank, lasting from early morning until late into the night. "The Soviet comrades emphasized that they would give us every kind of assistance. Comrade Brezhnev declared that the Soviet people were willing to share with us their last crust."<sup>81</sup> But at the same time they frankly said that until the CPCZ created order "they would not provide a loan, because they did not want to contribute toward the activity of antisocialist and counterrevolutionary forces."<sup>82</sup> This categorical rejection occurred because the leadership of the CPSU did not see, from its point of view, any improvement of the situation since the Dresden conference and accused the leadership of the Czechoslovak CP of weakness because "it allowed development to proceed toward anarchy."<sup>83</sup> They also declared that a consolidation which could lead to the liquidation of socialism was intolerable. "This is no longer Czechoslovakia's internal affair, but the affair of entire world socialism."<sup>84</sup> Bilak recalls in retrospect that the atmosphere of the meeting was relatively good, "like when two brothers meet, and the elder and therefore the more experienced brother tries to explain the various pitfalls to his younger and less experienced sibling . . . Thus the comrades were motivated by nothing more than concern for the fate of socialism."<sup>85</sup>

The Czechoslovak leadership accepted the criticism, and there was a complete identity of views on this within the Central Committee's Presidium, but no intervention occurred even then to change the course and radicalization of the reform process. It may be assumed that the Czechoslovak leadership continued to cling to its earlier concept, the purpose of which was to gain time.

Independently of this, the Bulgarian, Hungarian, Polish, GDR and Soviet party leaders met in Moscow on 8 May. Their respective party leaders represented the allied countries, while also other high-ranking officials besides Brezhnev appeared for the Soviet Union. The communique issued after this meeting gives practically no indication of what was discussed there.<sup>86</sup> But the fact that the Czechoslovak leaders were absent is in itself highly significant, especially in view of the fact that, according to some sources, specifically the events in Czechoslovakia were the topic of discussion.<sup>87</sup>

Within the international communist movement, assessment of the Czechoslovak reform process was by no means unanimous. According to Franz Muhri, the president of the Austrian CP, for example, the Action Program's concepts regarding socialist democracy's political system were similar to the ideas that the Austrian CP had developed about its particular road to communism.<sup>88</sup> Other Western European communist parties also held similar views.

By contrast, the official newspaper of the party in the GDR analyzed the international situation from its own particular viewpoint, and assessed the Czechoslovak reforms on that basis. It claimed that at present a more intensive class struggle was being waged in the international arena: imperialism's "power has been shaken to its

very core, and it is becoming more aggressive for that very reason."<sup>89</sup> Because of the balance of power, however, imperialism was incapable of a frontal attack; therefore it was attacking from behind, and using the CPCZ for that purpose. This GDR view was not entirely new; Kurt Hagert, a member of the SED Central Committee, had hinted already earlier that certain imperialist circles were influencing the events in Prague. And his succinct characterization of the reform process in Czechoslovakia was that "all this talk about modern socialism and freedom is helping to undermine the socialist camp's ideological unity."<sup>90</sup>

At the same time, other views were also voiced in the GDR in the same vein. "The CPCZ has practically been stripped of power. Loyal Communists have been driven out of the supreme government bodies . . . The counterrevolution is beginning to gain power in Czechoslovakia. The CPCZ's Action Program itself, which in its consequences is directed against socialism, postulates a return to the prewar bourgeois system."<sup>91</sup>

Janos Kadar's position, which he outlined in his speech at the mass rally marking the signing of the Hungarian-Czechoslovak Treaty of Friendship, Cooperation and Mutual Assistance, was considerably more positive. "We Hungarian Communists declare our complete solidarity with our Czechoslovak comrades, the Communists, the Czechoslovak supporters of socialism."<sup>92</sup>

At that time PRAVDA, too, showed keen interest in this issue. An article by Academician F. Konstantinov attacked the ideology of reform, through the person of Cisar, one of its advocates. From the [CPCZ] Central Committee secretary's following sentence, Academician Konstantinov drew far-reaching conclusion about the deviation of Cisar's ideology from Marxism-Leninism: "certain harmful aspects are undeniable of the fact that . . . eventually Leninism was changed into the monopolistic interpretation of Marxism."<sup>93</sup> It should be noted on the margin of this attack that the Soviet Academician quoted Cisar with significant omissions, and thus Cisar's original statement acquired an entirely different meaning.<sup>94</sup> The attack against the Czechoslovak reform's ideology was based on this article and only later was it broadened into an attack against the entire theory.

Naturally, PRACE challenged this standpoint and pointed out: "Since Professor Kurt Hagert's attack against Smrkovsky, this is the second time that a semi-official spokesman of a socialist country has branded a prominent representative of our party and public life as a revisionist, not outright, but unmistakably nonetheless."<sup>95</sup> Thereafter the polemicists exchanged many more articles.

It is noteworthy that a split occurred in the Czechoslovak position as well. Central Committee Secretary V. Bilak subscribed to the Soviet-GDR-Polish standpoint and expounded his new-found views also at the May plenum

of the CPCZ Central Committee: "Today no antisocialist opposition group comes out with an open platform against socialism, because it knows that it would come to grief. The enemy learned also from the counterrevolution in Hungary and is not so simple-minded as to present open demands. To the contrary, the enemy too lines up behind the process of renewal, cites the January plenary session, assures the party leadership of his support; but at the same time he opposes the party's leading role and also Marxism, which allegedly is outdated and obsolete, and must therefore be replaced with some sort of new, modern communism."<sup>96</sup> The outlined polemics, of course, created a great storm in politics and the press also in Czechoslovakia.

The effect of this in the Soviet Union was that, in the response to the published reports, blue-collar workers, party members and party committees sent letters to the Czechoslovak Embassy in Moscow, expressing their concern about the future of socialism in Czechoslovakia. RUDE PRAVO noted that it recognized the good intentions of the people, but not every opinion and resolution indicated that the ideas Soviet people were forming about the essence of the problem and its solution were correct.<sup>97</sup>

The polemics in the press, which received wide publicity in the allied countries, made it likely that the leaders of their parties did not agree with their Czechoslovak comrades, or at least not on everything, and foreshadowed the need for another summit conference.

Dubcek received on 12 June a personal letter from Brezhnev, in which Brezhnev "reminded him in the most comradely manner that, despite the promises and the resolution of the CPCZ Central Committee's Plenum, the situation . . . was continuing to deteriorate,"<sup>98</sup> and proposed another conference, leaving it to the Czechoslovak leader to choose the site of the conference and the conferees. Dubcek then decided not to go to a conference, because public opinion would have interpreted his going as giving in to political pressure. A few days later the CPCZ Central Committee's Presidium adopted a resolution forbidding the leaders of the party and government to leave the country. (This also explains why the Czechoslovak leaders did not attend any conference on foreign soil prior to 23 August, or at least any such conference to which they too had been invited.)

Clarification of the contents of the letters that the so-called group of five sent the highest party leadership in Czechoslovakia on 4-6 July requires further research.<sup>99</sup> But we do know that the letters evoked unequivocal rejection, from the party and government leaders and the press as well. From these responses we can infer what the letters contained. It seems certain that they too—just as the previous opinions—criticized the Czechoslovak reform process, and that they did so in a sharper tone than the earlier comments had. However,

"this criticism actually voices concern not for the fate of socialism in Czechoslovakia, but for the fate of a certain interpretation of socialism."<sup>100</sup>

The letters from the party leaders in the fraternal countries could hardly have accomplished their purpose, because they scheduled another summit conference for 14-15 July. The invitation was properly delivered (although views to the contrary also emerged about this later) to the CPCZ Central Committee's Presidium, which debated the invitation on two occasions. The leadership failed to reach an agreement, but in the end it stuck to the mentioned resolution that banned foreign travel. The plenum of the Central Committee—to no small extent under the pressure of the high-level party and government machinery, but mainly under the pressure of public opinion—finally decided that Czechoslovakia would not attend the Warsaw conference.

Quite apart from all this, the Warsaw conference did take place, but in the absence of those most directly concerned. The conferees sent a letter to the CPCZ Central Committee. The letter emphasized that it was not their intention to interfere in internal affairs, but it then felt obliged to point out that "we are not addressing you as the advocates of yesterday who would want to obstruct you . . . in correcting the mistakes and shortcomings."<sup>101</sup> A few lines later, however, the conferees declared that they could not agree to letting so-called inimical forces divert Czechoslovakia from its road to socialism, "because this is not merely your internal affair."<sup>102</sup> Then the letter offers a critique, about 2.5 pages long, of the reform process and its concomitant phenomena in domestic politics, in the course of which "a situation has arisen that is entirely unacceptable to a socialist country."<sup>103</sup>

The efforts to review party policy are summed up in the letter as follows: "Revisionists and the forces assaulting socialism are vilifying the Communist Party's entire activity, conducting a smear campaign against party cadres, and destroying the reputations of honest and loyal Communists."<sup>104</sup> The letter interprets "The Two Thousand Words" manifesto as a public appeal by reactionaries "to fight against the Communist Party and constitutional authority, to stage strikes and create disturbances."<sup>105</sup> Nor is the theory of "silent counter-revolution" omitted from the bill of particulars. The group of five then turns with the following open question to the Czechoslovak leaders: "Comrades, do you not see these dangers? Can you remain idle in this situation, limiting yourselves to statements and affirmations of your loyalty to the cause of socialism and to your commitments as allies? . . . do you not see that the party is losing control of events, and that you are retreating more and more under the pressure of the anticommunists?"<sup>106</sup> In our opinion, there could hardly have been a sharper and more negative assessment than this of the CPCZ's policies at that time. Indeed, the conferees were convinced that "a situation has developed where the threat to the foundations of socialism in

Czechoslovakia is jeopardizing the vital interests of the other socialist countries."<sup>107</sup> After outlining the world's political situation, the statement in its readiness to help concludes that "a firm stand against the attacks of anticommunist forces and determined struggle for preserving the socialist system in Czechoslovakia are not only your task, but ours as well."<sup>108</sup> The text of the detailed proposal that the group of five offered for the normalization of the domestic situation is about a half page long. It should be pointed out that although the document is rather critical in its tone, it does end on an upbeat note: "we know that there are forces in Czechoslovakia capable of defending the socialist system . . . The task at present is to provide a clear perspective for these healthy forces."<sup>109</sup>

The Warsaw letter aroused nationwide indignation in Czechoslovakia. This was reflected in an editorial, entitled "Czechoslovakia Will Not Commit Suicide," appearing in OBRANA LIDU, the newspaper of the Czechoslovak People's Army. According to the editorial, "the time has come to call a spade a spade. If we were able to assume that, on the part of the Warsaw ultimatum's signatories and the instigators of the smear campaign—for there is no better word for it—since January against the development in Czechoslovakia, this is nothing other than a misunderstanding or a case of sketchy information, we would suspect them of illiteracy.

"But the ordinary citizens of the countries that are abusing our repeatedly expressed feelings of friendship have not been fully informed or, in fact, have been misinformed. Everything that happened before the Warsaw 'synod' and has happened since, proves this. The leaders of the five socialist countries, who decided to act as both judge and jury, but without evidence or jurisdiction, know very well what is involved in Czechoslovakia. And yet, packaged in hypocritical phrases, the judgment they have handed down is actually a categorical order for socialist Czechoslovakia to commit moral suicide."<sup>110</sup>

The CPCZ Central Committee's Presidium discussed in detail how to reply to the letter from the five parties. The reply was somewhat more objective and more analytical than the opinion outlined above, but essentially it was just as negative. It conceded that the concerns mentioned in the letter were not unfamiliar to the CPCZ leadership, also the May plenum had considered them, and they were reflected in that plenum's resolutions. But the reply questioned whether the problem could be approached constructively through a change of personnel, respectively through a conference whose success was doubtful, to say the least, because the conferees were informed one-sidedly and the party most concerned was absent. In conjunction with a detailed analysis of the domestic political situation, the reply emphasized that there appeared to be "no real reasons to support the contentions that our present situation is counterrevolutionary in its nature, that the socialist system's very

foundations are in direct jeopardy, that Czechoslovakia is preparing to change its foreign policy orientation, or that a specific danger exists of our country's leaving the socialist community."<sup>111</sup>

The document rejected one after the other the critical views expressed in the fraternal countries' letter. In conjunction with the concern that Czechoslovakia might revise its earlier foreign policy toward the FRG, for instance, the document stated that the Czechoslovak people's bitter historical experience of German imperialism and militarism made it unlikely that "any Czechoslovak government would consider this policy null and void and would gamble irresponsibly."<sup>112</sup> On the other hand, Czechoslovakia wanted a partial normalization of relations, mainly of economic relations, the more so because the FRG is a neighboring country, and several countries within the socialist bloc have already normalized more or less their relations with the FRG, which "did not raise any concerns."

Regarding the Warsaw Pact, the reply argued that Czechoslovakia was fulfilling consistently the obligations the alliance imposed on it, but the fact that "changes are being made in the schedule for the departure of allied troops from Czechoslovakia after the completion of their military exercises" has evoked incomprehension and raised some doubts among the population.<sup>113</sup>

Responding to the criticism directed against behavior that tolerated the questioning of the party's leading role, the Presidium pointed out that the CPCZ was relying on the voluntary support of the people. It quoted from the Action Program that the party had to be society's loyal servant, instead of dominating society, and that the party could not compel authority, but had to earn it continuously, through its own initiatives. The Presidium saw the main danger not in right-wing deviation, but in a return to the earlier methods. For the party, having abandoned dictatorial leadership, had broadened its mass support, and a social consensus had emerged. Therefore any restoration "would trigger the resistance of the overwhelming majority of the party's membership, blue-collar workers, cooperative peasants and intellectuals."<sup>114</sup> The Presidium saw all this confirmed by the fact that at the extraordinary okres and district party conferences the party membership supported the Action Program and the supreme leadership.

The document formulated the main objectives of future political work in three points. First, "the party as a whole" must consistently dissociate itself "from the past distortions for which specific individuals within the party's old leadership are responsible, and these individuals must be called to account in accordance with the law."<sup>115</sup> Secondly, the preparations must be completed for holding the party's extraordinary 14th congress that would evaluate the development since the January plenum and would set for the party the course to be followed. And thirdly, after the congress the solutions had to be implemented of the basic problems of domestic

policy (namely, the question of a federal state, the development of society's self-management, and the drafting of a new constitution).

In sum it can be established that the allies' Warsaw letter failed to accomplish its goal of forcing a return to the methods of leadership that existed before the party's Action Program and the January plenum (essentially the same methods as the signatory countries were employing).

Parallel with the exchanges of letters, the polemics in the press continued between Czechoslovakia on the one hand, and the GDR, Poland and the Soviet Union on the other. Only the tone of the polemics became more and more rude. A degree of conforming to a plan could also be observed in this respect. First, the mass media of the mentioned three countries criticized the "abuses" and individual manifestations. Then the Soviet press published articles about the distortions of Marxism-Leninism, presenting increasingly as a trend the gist of the already mentioned attack against Cisar. A complete disregard of each other's views was typical of this period; each side kept reiterating its own standpoint, in ever sharper tone.

The GDR press referred repeatedly to Professor Hager's quoted statement.<sup>116</sup> To which RUDE PRAVO responded by attacking the editorial staff of NEUES DEUTSCHLAND, claiming that the article had been inspired by the preceding issue of PRAVDA.<sup>117</sup> Comparing the situation in Czechoslovakia with that in Hungary and Poland in 1956, the mentioned article in the [East] German party newspaper argued that American and West German imperialism were exporting counterrevolution to Czechoslovakia. "The strategists of exporting counterrevolution are now pursuing the same objectives," and are merely forced "to use the method of liberalization, instead of achieving their objectives by means of direct and bloody military operations."<sup>118</sup> In accordance with imperialism's plan, the Czechoslovak leaders—or so the article claimed—were denying Leninism's general criteria and "are praising some mythical new model of socialism."<sup>119</sup>

Interesting was the Romanian party's standpoint regarding the reform process in Czechoslovakia. It did not share the views of those who were concerned about the development in Czechoslovakia and wanted to guide the country onto a certain road, by means of intervention.<sup>120</sup>

Meanwhile the published Warsaw appeal further enflamed the tone of the polemics in the press.

NEUES DEUTSCHLAND offered additional contributions to its theory of "silent counterrevolution." According to the paper, the most open manifestation of the imperialists' new tactic was what Brandt and Kiesinger [as published] called "new Ostpolitik, and what Johnson

referred to as "the policy of building bridges."<sup>121</sup> The paper also hinted at its government's standpoint: "In the sense of the joint letter, we will always fulfill our international obligations."<sup>122</sup>

The Soviet press likewise informed its readers frequently about the events in Czechoslovakia. Naturally, it explained the reform process with the theory of "silent revolution." According to this theory, the bourgeois forces who were collaborating with the antisocialist and revisionist forces "took advantage of the mistakes and shortcomings in the work of the former party and government leadership and directed the first blow at the party's governing bodies. Disruption of the party's unity and the infiltration into the party of people who openly reject Leninism . . . polarized the entire Communist Party and weakened its leading role. The next blow fell on the mass organizations and the creative unions . . . It was a particularly great success for imperialism's ideological subversion of Czechoslovakia that revisionist and antisocialist elements gained control of the press, radio and television."<sup>123</sup>

Several newspapers published commentaries on the 17 July plenum of the CPSU Central Committee, which heard and approved Brezhnev's report entitled "The Results of the Warsaw Meeting of the Socialist Countries' Communist and Worker Parties Delegations." KRASNAYA ZVEZDA, the [Soviet] army's newspaper, warned the Czechoslovak leaders with special emphasis that "having studied and debated the resolutions of the CPSU Central Committee's plenum and the fraternal communist parties' letter, Soviet servicemen are rallying even more closely around Lenin's party and its Central Committee, demonstrating that they are ready to guard socialism vigilantly also in future."<sup>124</sup>

PRAVDA, always authoritative, summed up from time to time the evolution of the theory of "silent counterrevolution" and declared that "the antisocialist elements who are being incited by imperialist propaganda, and who are using such slogans as liberalization and democratization . . . are attacking essentially the communist parties' leading role."<sup>125</sup>

The polemics in the press reached their peak about then. They were unique in the history of the socialist countries' press, in that the mass media of three socialist countries departed so far from an objective tone and jointly attacked a fourth, fraternal, allied country. Meanwhile, Hungary used a reproving tone, although less openly. And Romania sided unequivocally with the attacked country. Probably the purpose of these polemics was not so much to convince the other side. (After all, Czechoslovakia was most often forced on the defensive and did not always adopt the tone of the polemics; furthermore, the polemics were not really a debate, because the other side's standpoint was entirely disregarded.) The purpose of the polemics was mainly to persuade local public opinion to interpret the Czechoslovak reforms the way the leadership in the given

country expected them to be interpreted. And a by no means negligible consideration was probably the population's emotional conditioning for the events to come.

It is interesting to review the communist movement of that time, from the viewpoint of how they reacted to the five fraternal socialist countries' Warsaw letter. Of the then existing 88 communist parties, only 14 in addition to the 5 signatories fully supported the letter. Of these 14, 7 were Latin American parties. The underground parties in South Africa and Jordan, and the Mongolian CP were non-European parties. In Europe, only a faction of the party in Greece, and the parties in West Germany and West Berlin supported the letter.<sup>126</sup> A few parties abstained from adopting a standpoint. But numerically those parties were in a majority which sent telegrams and letters of their unequivocal support to the Czechoslovak party leaders. For example, the parties of Romania and Yugoslavia, and also the venerable parties of Western Europe, sent very strongly worded statements of support.

In this tense atmosphere, when veiled hints and entirely open threats were being made and reported daily about the fraternal countries' possible use of even arms to ensure the suitable direction of socialism's development in Czechoslovakia, the announcement of the meeting in Agcsernyo [Cierna nad Tisou] came as a complete surprise. The two party delegations, led by Brezhnev and Dubcek respectively, met in this village along the Soviet border, but still on Czechoslovak territory. The site of the meeting may be seen as a concession made by the Soviet Union. But the fact that the Czechoslovak leaders agreed, instead of the bilateral talks they were pressing for, to a conference only two days later with the leaders of the five parties may be regarded as a victory for the Soviet standpoint. Suitable sources on this [the Bratislava] conference are lacking, the declaration issued after it is actually reticent,<sup>127</sup> and nothing has leaked out from the participants either, but we consider it likely nonetheless that the Czechoslovak leaders now made tactical concessions to the five countries, only to gain time. For if the party congress scheduled for early September approved the Central Committee's activity after January—i.e., the actual reforms—then this would make questionable the applicability of the "silent counterrevolution" theory's basic hypothesis. Namely, the hypothesis that a handful of revisionists had infiltrated the party leadership, and had acted there in accordance with imperialism's instructions, could hardly be maintained once the party congress, the party's highest forum, approved the leadership's activity.

The assumption about wanting to gain time gains indirect confirmation from the fact that at the Bratislava conference the Czechoslovak leadership actually accepted everything the group of five had demanded. Thus the leaders acknowledged that they could advance along the road to socialism and communism only if "they bear strictly and consistently in mind the general laws of building a socialist society, and if they strengthen first of all the leading role of the Communist Party, the

vanguard of the working class."<sup>128</sup> And if in future they "coordinate and harmonize their international activity"<sup>129</sup> anew, and on this basis condemn the aggressive policies of Israel's ruling circles and the activization of the forces of West German neonazism, militarism and revanchism, the very details of Czechoslovak foreign policy that Poland and East Germany found objectionable.

As to how the group of five interpreted the concessions made by the Czechoslovak leaders, it is worth quoting from a statement Janos Kadar made after the Bratislava conference: "I said that the joint declaration was of historical importance, adding that it was not certain everyone fully understood it at the moment. But everyone would understand it within a week, a month or perhaps longer."<sup>130</sup>

As did happen when, shortly thereafter, a group of otherwise not identified members of, respectively, the CPCZ Central Committee, the Czechoslovak government and the National Assembly issued an appeal claiming that lately a situation had arisen in which "the obligations stemming from the joint declaration issued by the six fraternal communist and worker parties, and signed also by the representatives of our party, are being openly and systematically violated."<sup>131</sup> Simultaneously these same persons "turned to the Soviet Union and other allied countries" requesting "urgent assistance for the fraternal Czechoslovak people, including assistance provided by their armed forces."<sup>132</sup> Granting this request, on 21 August the troops of Bulgaria, Hungary, the GDR, Poland and the Soviet Union entered Czechoslovak territory.

### Epilogue

Later the press characterized the period following the granting of fraternal assistance as the start of consolidation. The description of this period will be the subject of another essay. On this occasion we merely wish to add a few words about the initial events of this new period.

On 21 August the National Assembly met in extraordinary session, in Prague. The issued communique announced that the occupying allied forces had interned the top leadership, and it demanded that the constitutional functionaries—primarily L. Svoboda, the president of the republic; O. Cernik, the prime minister; J. Smrkovsky, the chairman of the National Assembly; A. Dubcek, the general secretary of the CPCZ; F. Krieger, the chairman of the National Front; C. Cisar, the chairman of the Czech National Council; and others—be released to perform the constitutional duties entrusted to them by the sovereign people."<sup>133</sup> The CPCZ Central Committee's Presidium also met. According to the issued communique, "the president of the republic, the chairman of the National Assembly, the prime minister, and the CPCZ Central Committee's general secretary had known nothing about military assistance from the fraternal countries . . . The Presidium of the CPCZ



Central Committee regarded this step as contrary to relations between socialist countries and to the fundamental norms of international law.<sup>134</sup> The National Assembly's Presidium, the Ministry of Foreign Affairs, and the government issued statements similar in their content and tone. The Prague Municipal Party Committee issued an appeal to the world's communist and worker parties, requesting them "to express their protest against riding roughshod over socialist internationalism in this unprecedented manner."<sup>135</sup> That evening President Svoboda, who had been released by then, broadcast a radio speech in which he appealed to the country's population to stay calm, and declared that the military intervention had occurred "without the consent of our constitutional authorities."<sup>136</sup> The next day the National Assembly sent a letter to the USSR Supreme Soviet, signed by 196 of the National Assembly's deputies. In this letter the National Assembly explained that "since a majority of the deputies had not approved the occupation by foreign troops, no group of deputies had had the authority to negotiate on this question with anyone. Therefore the occupation of our country is illegal and a violation of our constitution."<sup>137</sup>

The population held a one-hour general strike in protest against the occupation. Minor incidents occurred in Kassa [Kosice], and therefore martial law was declared. Military units occupied the premises of the CTK, the Union of Journalists, the Writers' Union, the cultural institutions and editorial offices, and prohibited the dissemination of any published literature or proclamation. Signatures were collected on a petition for Dubcek's release.<sup>138</sup>

At the same time the extraordinary congress of the CPCZ convened and confirmed, by 1094 votes and one abstention, Dubcek and the other members of the leadership.<sup>139</sup> Its resolution demanded the departure of foreign troops, the release of the persons taken into custody, and the guaranteeing of conditions that would enable these persons to freely discharge their official duties and would also permit the normal functioning of the state and political bodies. "Socialist Czechoslovakia will never tolerate public administration by the occupying powers, nor will it allow domestic collaborators to wield power with the support of the occupying powers."<sup>140</sup>

President Svoboda held talks with the Soviet Union's representative; but when they were unable to come to an agreement, he requested talks with the top leaders in Moscow. There Svoboda deemed necessary, in addition to his own delegation, also the presence of Dubcek, Cernik and Smrkovsky, and he therefore requested that they be allowed to join him.<sup>141</sup> These talks made possible a reassessment of the events up to then; and during October, as the start of gradual but slow consolidation, the troops of the fraternal countries began their withdrawal.<sup>142</sup>

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133. Cf. UJ SZO, 5 Sep 68.
134. Ibid.
135. ELORE, 21 Aug 68.
136. Cf. UJ SZO, 5 Sep 68.
137. Ibid.

138. ELORE, 22 Aug 68.

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140. ELORE, 23 Aug 68.

141. ELORE, 24 Aug 68. Cisar meanwhile escaped from internment and went underground.

142. Some units of the Soviet forces remained in Czechoslovakia, in accordance with a newly concluded Soviet-Czechoslovak agreement.

1014

## HUNGARY

**Parliamentary Rules Change, No-Confidence Vote, Caucusing Supported**  
*25000252 Budapest MAGYAR HIRLAP in Hungarian 30 Jul 88 p 3*

[Interview with Dr Mihaly Korom, chairman of the Constitutional Council, by Andras Banki: "A New Situation Exists"]

[Text] The committee appointed last December to study possible changes in House Rules reported its findings. Among other matters the committee recommends that National Assembly representatives consider the establishment of a National Assembly President's Office, the possibility of forming factions, the inclusion of the institution of the vote of no confidence as part of the House Rules, and the introduction of the automatic tallying of votes. Following the committee's Tuesday meeting, Constitutional Council Chairman, and head of the committee Dr Mihaly Korom received our correspondent at his Balaton summer home and responded to questions.

[Question] Following the committee's establishment you provided an interview to our newspaper under the heading "There Will Be a New Situation." It ended by you having said, and I quote: "... our dilemma is whether we should await how they are going to decide about the constitution." Well, this issue has been settled: there will be a new constitution. Accordingly, we could say that a new situation exists. Yet, the dilemma continues: are you going to await [ratification of] the new constitution before changes in House Rules are introduced, or are you going to go ahead of the new constitution with some of the changes?

[Answer] Our committee recommends that House Rules changes be implemented in two phases. We should not wait until 1990—the anticipated time when the constitution will be ratified—with the introduction of some changes which do not affect the state organization and the electoral system, and which require at most small changes in the constitution that is presently in force. Let us complete these changes now, and the rest in the

second phase, in harmony with the new constitution and with the development of other laws destined to reform the political institutional system.

#### Leave of Absence Benefit

[Question] What kind of work did the committee perform and what is the future schedule?

[Answer] At first we assembled the thematics of the issues to be examined. We debated these among groups of representatives from Budapest and from the counties, and gathered recommendations. Paralleling this endeavor we also evaluated foreign experiences. At our request, legal experts analyzed the parliamentary rules of nine socialist and six bourgeois countries. I will inform the representatives of our conceptions during the next session. We anticipate to present our recommended changes to Parliament in the course of the December session.

[Question] Considering the increasing workload and what is expected to be more frequent National Assembly sessions, a number of people brought up the idea of restoring the full time representative status. What is the viewpoint in this respect?

[Answer] Following some great debate the majority decided that there would be no need to make representatives independent. The majority of representatives would not accept such status—they would not give up their primary occupation. This becomes instantly understandable if I add that two-thirds of the representatives work in leadership positions. Considering the peculiar situation of representatives we recommend that 36 days of leave of absence be granted to those who require it. During this period the representative's employer would pay the representative's average salary, to be reimbursed from the Parliament's budget. In addition, representatives are entitled to an honorarium of 5,000 forints per month.

[Question] There must have been also different recommendations if the issue was so intensely debated.

[Answer] Indeed. There was a recommendation by which individual representatives could seek independent status, the work of representatives would be recognized as the primary occupation for the period of their mandate. Others felt that they should perform their work as representatives on a part time basis, and to work at their workplace on a part time basis. The varied views came about as a result of the fact that the workload of individual representatives also varies greatly both in regards to their workplace and to their elected office. The latter varies within 10-30 work days, a time period which will certainly increase in the future.

[Question] A conception that has been maturing for a long time: should Parliament have a leadership body, an Office of the President? Was this matter debated, and what were the conflicting viewpoints?

[Answer] An overwhelming majority of representatives agrees on forming a National Assembly presidium. The debate focuses more on the issues of what should be the tasks, jurisdiction and composition of the presidium. Because of the complexity of this issue, which also relates to the constitution and to state organization, we are thinking about these matters in two phases. During the first phase we will place the issue pertaining to the institution of the presidium on the agenda in a certain form in which the presidium would serve as a consultative, counseling body to the president of the Parliament. This institution would be also responsible for maintaining operational relationships with the permanent committees of Parliament, and with the various parliamentary delegations from Budapest and from the counties. During the second phase it will be possible to examine what could be added to expand the jurisdiction of this body, and what authority that is presently under the jurisdiction of the Presidential Council could be transferred to that body in light of new constitutional developments.

On the basis of the majority opinion we recommend that the Presidium of the Parliament have seven members: the president, three vice presidents, and three representatives elected by the National Assembly. Only a minority supported the idea that the chairmen of permanent committees and the leaders of various groups of representatives become ex officio members of the Presidium.

#### Two Rounds of Debate

[Question] For quite some time representatives had urged that the authority to convene the National Assembly be transferred from the Presidential Council to the Presidium of the National Assembly.

[Answer] Already at this point we recommend that we incorporate in the House Rules the requirement that the President of Parliament convene the National Assembly. This change, however, requires an amendment to the constitution.

[Question] At the time the latest rules changes were made, complaints were heard concerning the fact that the opportunity for a second round of debate was cut too tight, moreover that the opportunity for debate in the course of a second reading has been deleted from the Rules. It is no coincidence that a second debate of the issues did not even take place. This is not merely an matter of quality. It is one that pertains to power. Is there going to be a change in this respect?

[Answer] Yes, there is. The essence of our recommendation is that aware of legislative tasks, the National Assembly itself should decide which issues it desires to

debate in two rounds, or in the course of two readings as recommended by the Presidium. We feel that two rounds of debate are warranted primarily in regards to decisions pertaining to important socio-political issues. In the course of the initial debate, discussions would pertain to the general principles and theses of the legislative proposal. Details and wording would be dealt with in the second round. Whenever two rounds of debate are warranted, it would take place in the course of two parliamentary sessions, while matters subject to two readings could be dealt with in the course of one session, given the opportunity to recess for a few hours, perhaps a few days, to allow time for the preparation of amendments.

[Question] You just mentioned amendments. Are the rules pertaining to amendments and proposals going to be rewritten? In this regard I once again refer to the earlier rules changes. At that time some rather bureaucratic procedures were devised which require representatives to submit amendments in writing to the President of the National Assembly at least eight days prior to the opening of a session.

[Answer] I do not advocate unlimited debate. I believe in democratic procedures which, at the same time, do not lead to anarchy. At present our committee recommends that prior to reaching the House floor, all amendments be reviewed and commented upon by the permanent committee having jurisdiction, and by the minister who proposed the legislation. This would not rule out the possibility of representatives proposing floor amendments in response to impulses received in the course of debate. But these proposals too must be made the subjects of comment as described above, even if the session must be disrupted. The main rule remains however: amendments must be submitted in writing to the permanent committee having jurisdiction. At the same time, in case the committee rejects the amendment, it may be made the subject of renewed debate at the representative's request.

[Question] And how will they vote on such amendments?

[Answer] That will remain unchanged. First they will cast their votes on the proposal submitted by the Council of Ministers, and then on the representative's amendment. Granted, there may be complaints in this respect. This procedure casts the Council of Ministers in a more favorable situation than the representative.

[Question] During the latest session of the National Assembly, in the course of electing the National Assembly President, there was heated debate concerning the methods by which proposals concerning the selection of personalities is made. Several representatives insisted that representatives should make proposals concerning the person who becomes the president of Parliament. Did you take this into consideration in the course of rules changes?

[Answer] Yes, but these issues test the constitution. For this reason we decided to settle these in the second phase, in harmony with the new constitution. Here we are dealing with an issue which involves the question of which organ, which body should initiate, make recommendations as to the highest state and constitutional office holders, and in what legal form this should take place. We would like to see a stronger, expanded role for Parliament also in this respect. On the other hand, we have decided already that the proposals involving the selection of persons should be decided by secret ballot.

#### Dilemmas Attending the Automatic Tallying of Votes

[Question] With this we have reached the issue of the techniques of voting....

[Answer] We will introduce an automatic counting of votes; this technology will be in place as part of the ongoing refurbishing of the chamber. One could not even imagine the dilemmas that attend a matter like this. Controlling the outcome would cause concerns for instance in cases involving a secret ballot. How could representatives check that the results shown reflect the actual vote? They brought up the question of how they could protect themselves against possible manipulation from the outside? As a result of all these reservations we rejected the idea of the automatic counting of secret ballots, and recommended that in such cases voting take place by way of paper ballots.

But we have not yet finalized just how we will use the machines in the course of open balloting either. There are two ways in which representatives could follow the casting of votes. One would be to tally the votes by machines while at the same time the voting representative would raise his arm. But there have been instances in foreign countries where representatives voted "nay" on the machine, and "aye" with their arms. The other solution would be to have [electronic] boards installed on the chamber walls showing the name of the voting representative as well as the way he voted. These boards would make the chamber ugly—they would cover up some paintings. In addition to these two solutions, there also exists a third. The machine would provide a print-out as to who voted how, and this printout would be made part of the record. The disadvantage of this method is that at the time of voting it cannot be publicly seen who voted how. In its final form, the issue will be resolved jointly. I feel very strongly about not attributing more to automated voting than what it is: a means supportive of counting votes. We should be reminded of the fact that in recent times the FGR has not used the automated technique because in casting votes representatives acted in a less than serious manner.

[Question] The legal guarantees for controlling the cabinet still contain gaps, I believe. We have not heard of the introduction of no confidence resolutions, for instance. Are you contemplating to include this matter as part of the Rules?

[Answer] In this respect we are actually dealing with two legal institutions. One concerns the vote of confidence which the cabinet may seek in cases when the National Assembly renders a decision with which the cabinet disagrees, or views it as impossible to implement. The introduction of a no confidence resolution on the other hand originates from a representative with respect to individual members of the cabinet. We took the position that it is necessary to introduce both institutions, and to include those as part of the parliamentary rules. Considering the fact that this issue bears on the constitution, we decided to take the related action only during the second phase. This is what we will recommend to the representatives.

### Factions in Parliament

[Question] Holding members of the cabinet responsible for their actions ["interpellations"] have no constitutional implications, however. Most recently, Parliament itself limited the opportunity for interpellation. This is so, even though this institution is an important means by which the cabinet can be controlled.

[Answer] It is a fact that contrary to the representatives' intent, the 1986 rules changes did not strengthen, but weakened this legislative institution. We will now restore the institution of interpellation by recommending that a representative may freely choose in a given situation whether he wishes to question a minister. Nevertheless I am convinced—and I have so stated several times—that the root of the problem rests in the system of individual voting districts. The classic content of interpellations is a critique of one or another governmental organ for having committed an act, or having failed to act in regards to some matter, and the interpellation urges remedial action in regards to that matter. In practice, however, it is often difficult to draw the line between matters that pertain solely to a representative's voting district, to a narrower community—an issue which in its essence can be resolved locally on the one hand, and matters which have a more general application in terms of signaling legal or regulatory disturbances, the elimination of which—by virtue of casting a vote on the minister's response—requires the vote of Parliament. I believe that interpellation is warranted in the latter case. But as I said before, the rules will leave the decision in this respect to the representative. At the same time we will leave the institution of raising a question undisturbed. This serves the primary purpose of authentic information gathering by representatives.

[Question] I purposely left the question—which I too consider as exciting—to the conclusion of our interview: will the Rules provide for the establishment and functioning of factions in parliament? I am asking this question because during the latest session of parliament this became a pronounced issue.

[Answer] I do not like to use the word "faction" because in Hungary it carries a pejorative connotation. At the same time I view the approach of thinking in terms of a

communist faction and a party outsiders' faction in Parliament as mistaken. This is not of the essence. The real battle lines, if there are any, are not drawn along these lines. Our committee felt that for the sake of the open confrontation of views and of reaching democratic decisions, it would be appropriate to organize parliamentary groupings [caucuses] around certain goals and endeavors. We feel that such groupings would be appropriate also in regards to the representation of the various strata. There are many possibilities in this respect, and for this reason we are not incorporating regulatory limitations. We suggest that the opportunity to establish groupings should be declared in the framework of the Rules. I will add, however, that this proposal of ours will be the subject of great debate among representatives.

12995

### Party College Introduces Political Science as Discipline

25000241b Budapest MAGYARORSZAG in Hungarian  
8 Jul 88 p 26

[Article by Szabolcs Szita: "Politician-Training"]

[Text] We are now witnessing a long overdue flowering of Marxist political science in our country. Assisting this development is an urgent task. The continuing implementation of our reforms demands that we pay more attention to European political theories than we did in the past. When it comes to research concerning theories of state, we should pay more attention to nonstate forms of political activities. Relying on the examples of more advanced countries, we could also surmise that our domestic political science should be organized independently, on the basis of its own principles and points of view; it must not limit itself simply to applying alternative criteria to the study of jurisprudence, history, sociology, and economics.

### Without Hierarchy

It is a promising development that political science appears to be regaining institutional status in the Hungary of the 1980's. Following birth pangs of considerable duration, some of its branches reached the stage of being institutionalized, recognized as scientific specialization, and pursued as a profession; most others, however, including the broad field of political science itself, have not yet achieved this. In spite of significant achievements accomplished during the past two decades, the place of political science among the other social sciences still has not been clarified. One reason for this is that we are dealing with sharply differing scientific specializations, whose approaches may be theoretical, historical, or sociological in nature. However, similar to most

sciences, this one also developed an integrative, theoretical basic field that examines the general connection among political-authoritative relations. This is called political theory or politology; but it is only one branch of political science.

In our country today there are fourteen recognized scientific branches within the system of Marxist political science. Some of these are: political theory, political philosophy, scientific socialism, the history of politics, the history of political theories, the sociology of politics, the theory of international political relationships, as well as the study of foreign policy making, the theory of state, the study of constitutions, etc. Of course, there is no hierarchy among these fields.

The desire for defining the relationship between politics and science has been promoted in Hungary for centuries. Scientifically based political thinking has significant forerunners. The leaflets, essays, and reform proposals written by the great thinkers of the nineteenth-century Reform Period were scientifically based. In addition to French and German works, these writers also consulted the findings of English social scientists, and the scientific examination of politics soon became part of university education. The theoretical works of Lajos Kossuth and Istvan Szechenyi were characterized by a scientific approach to political topics. Beginning with the turn of the last century, the influence of Western European developments became increasingly noticeable in our country. Even politicians such as Gyula Andrássy Jr or Pal Teleki attempted to discover scientific explanations for political phenomena.

Following the liberation of Hungary, during the years of the coalition government, there were still opportunities for efforts to implement professional and scientific points of view. After 1947-48, however, there was increasing pressure to talk or write about politics exclusively in ideological terms and, as a consequence, political science was by and large eliminated from the country's scientific life as well as from our higher education curriculum. The phenomena and laws of politics were examined primarily "in accordance with" ideology, and there was seldom any opportunity to disseminate new scientific ideas. Having been restricted in its efforts to explain capitalist and socialist conditions in a credible and substantially accurate manner, this manipulative interference also hindered the Marxist interpretation of society and history on the whole.

#### Shortage of Experts

It was around the end of the 1960's, the time when Hungarian economic reforms were taking shape, that opportunities became favorable for the institutional rebirth of political science. That was when first the Institute of Social Sciences, attached to the HSWP's Central Committee, and later discussion groups, such as those called "Socialist Democracy" or "Political Systems," were established. In the beginning, debates on

issues of political science were held at the specialized branches of the Budapest branch of the Society for the Propagation of Scientific Knowledge (TIT). In 1980 September, a Committee of Political Science was sponsored by Division IX of the Hungarian Academy of Sciences (presided over by Otto Bihari, and with Laszlo Valki serving as secretary); and in the autumn of 1982 the Hungarian Political Science Association began its operation, with Janos Peter as president and Gyorgy Szoboszlai as secretary.

During the early 1980's, more and more people urged the introduction of political science into the social studies curriculum at Hungary's institutions of higher education. In accordance with the demands of its constituency, the same position was taken by the Youth Parliament for postsecondary students. As a result, special political theory seminars were announced at the Lorand Eotvos University and the Karoly Marx University of Economic Sciences, and political sociology was introduced as an elective subject. At the Karoly Marx University of Economic Sciences, students majoring in international subjects can now study political science for a year. The School of Law and Public Administration at the Lorand Eotvos University was the first among the country's institutes of higher education to form a political science department within its Institute of Administrative and Political Sciences. Plans have been formulated for introducing political science as an educational specialization. At the same time, research in political science and related topics has increased nationwide, undertaken in the recent past at various institutes, from the Trade Union Theoretical Research Institute to the Institute of Military History.

One argument used by those promoting a "renaissance" of political science (labeled as a bourgeois pseudoscience during the Rakosi years) is that in the next few years there will be a growing need for political scientists familiar with new approaches and possessing modern training.

The HSWP Congress held in May 1988 was an important event for the self-critical examination of our political practices during recent decades. That forum emphasized the need for a scientific analysis of our political life, the political situation that took shape in recent decades, and called for the theoretical foundation of our future reforms. However, these objectives can be accomplished only in the framework of a politically devised reform movement that is consciously guided by the party.

On more than one occasions, associates of institutes attached to the HSWP Central Committee made initiatives or exerted decisive efforts in the interest of institutionalizing political science in our country. Study groups of the Institute of Social Sciences have been conducting coordinated research in political science for a quarter of a century, while the Institute of Party History primarily works on projects in the history of politics. The Political

Academy of the HSWP is another natural base for research and instruction, and the organizational home of political science research. Using its facilities, practitioners of politics can obtain doctoral degrees, and results of their research can be published in the Academy's prestigious publication, called POLITIKA-TUDOMANY.

About a year and a half ago, nationwide interest was aroused by the Party Academy's renewed profile and modified admission and instruction methods. According to plans, a thorough organizational transformation, to be completed by 1991, will affect every unit, and future activities include laying the groundwork for turning out better-trained, debate-ready, and critical cadres by the year 2000 through incorporating a broad spectrum of political science subjects into the curriculum. The Academy must meet future demands made on an advanced party school and on university-level education in general.

#### Versatile Knowledge

In practice this also means that as of the autumn of 1988 only university graduates will be allowed to enroll in the Academy's correspondence section (which has more students than the day section and which accepts people up to age forty). Students in the evening section will be able to earn a second diploma, attending for a shorter period than is presently required. Marxist-Leninist studies will incorporate intensive political science training, relying, of course, on the results of the latest research.

Course offerings have been significantly expanded, so that every student can choose subjects that suit his interest and his tasks. Correspondence students are released by their employers to spend the first six months of the three-year training in residence at the Academy. They may specialize in such fields as parties and mass movements, state administration, economic policy making, international affairs and diplomacy, the politics and ideology of culture, or the politics of information and journalism. The new system calls for a high degree of independence, demands constant renewal and strong commitment from students and instructors alike.

The Academy's day section admits high school graduates under the age of thirty, and its curriculum takes four years to complete. Reforms of this section were undertaken with three goals in mind: to prepare students for future political tasks; to offer universally applicable and convertible knowledge in the areas of social studies and political sciences, and to bestow on graduates a university degree with a political science major. To accomplish such complex tasks, the Academy uses not only its own experience (after all, it has been teaching political sociology and the theory of international politics), but also relies on the experience and expertise of other universities. Subjects that will, as of 1988, become part of the curriculum will further emphasize the political nature of training. In addition to political theory, the history of society, of political psychology, of Hungarian political

thinking, and of universal political theories, as well as the study of constitutions and a comparative study of governments will be included among the new courses.

Multidisciplinary discussions, the independent interpretation of literature in the field and other instructional methods are introduced in order to gain versatile knowledge, develop modern thinking and increase the students' debating facility. In addition to the above, the political scientists of the future must also be conversant in foreign languages and be familiar with the application of computers in everyday work.

12588

#### Iacocca's Book Published in Hungarian, Avidly Read, Praised

25000241a Budapest KONYVVILAG in Hungarian  
Jul 88 p 10

[Article by Mihaly L. Kocsis: "Our Comrade Iacocca"]

[Text] How time *mutantur* and how much we are changing *in illis* is best illustrated nowadays by Lee Iacocca's book "The Life of a Manager." Let us consider what would have happened if I had wished to review a book of this type for a Hungarian newspaper forty years ago? As they say, I would have been taken away in a closed, black automobile; perhaps even a Ford, although chances are that it would have been a Pobjeda. Thirty years ago, just to be on the safe side, they would have removed me from my job. (Ideological unreliability!) Twenty years ago, at the time of the New Economic Mechanism—before August—the editor would have made a gesture with his hand: "Don't confuse socialist reform with capitalist obsession!" After August, he would have said: "Don't you, too, become obsessed!" Ten years ago: "The subject is not timely." Five years ago: "Just let them send dollars, not ideas!"

And now?

Now, in 1988 August, I do not have to hesitate to write my opinion: Mr Iacocca is the number one business guru in today's Hungary. His book is a veritable political guide.

Our comrade Iacocca!

And the fact that I can write this is only part of it. Even more important is that I can read his book—in Hungarian—a little over four years after it was first published. This idea does not bother me [play on words: Gondolat = idea, thought, but also the name of the book's publisher]; after all, it permits more and more ideas to reach me, a Hungarian citizen. (And now that these new winds blow not only from the West but from the East as well, perhaps for the first time ever we are enjoying ourselves in this stormy transient zone.)

Why do we need Iacocca so much?

Why do we read it as if it were the most exciting crime novel, a best-seller we cannot put down?

Why are we drinking up his message as if it were a confirmed revelation?

Because he offers us what we need the most.

Success.

Faith in succeeding.

The belief that it is possible to climb out of even the deepest hole.

Lee Iacocca lived a typical American success story. One might even say that he did that twice.

He was born the child of poor Italian immigrants, at a time when the very word "pizza" evoked loud guffaws among his teasing classmates. The "little Dago" had a long way to climb, and the fact that he made it can be attributed—in addition to his innate abilities—to two factors: (1) the family environment, primarily the influence of his father ("He was the kind of man who always demanded that we perform to the best of our abilities, regardless of what we were doing"), and (2) to his schools ("If one has good teachers and he can focus his attention, he can go far with his abilities. ...Being well-read and the ability to write well are the keys to everything."). And perhaps to his primary business teacher, Charlie Beacham: ("Make money," he used to say. "Nothing else is worth a shit. This system is built on profit-taking, guys. Everything else is just bullshitting." As far as that goes, we could use this as an ideological briefing!) The maturing Lido who, upon the advice of Beacham, started using Lee as his first name, did not go after prestige or power, but money. He started making money, and with it gradually came prestige and power. After ten years of preparation, a single advertising idea projected him to the Detroit corporate headquarters, and after a little more than a decade he was the number two man in power, the general manager, in the second largest American automobile manufacturer. There was only one man above him—Henry Ford II, the king.

But Iacocca is a democrat. He would experience firsthand that the time of royalty was past. As a result of petty personal revenge, on July 13, 1978 he was fired as if he were a lowly messenger boy. He was 54 years old, almost a millionaire. He could have rested on his laurels. But he is not that kind of man!

He accepted an offer to become the president of the smallest of the "three giant" car firms, Chrysler. From peak to peak? Not quite: Within one year, Chrysler sank to the lowest point in its history. Now what does a manager like Iacocca do?

He started consistently applying whatever he had learned. We may read these as axioms.

After all, he had learned that "the main job of a manager is to employ suitable new personnel"; he learned what the difference is between one person and a committee (he said about a very bad car that it looked like it was designed by a committee); he learned that the key to success is not information but people; he learned that as a manager he has only one job and that is to motivate people; he learned what teamwork is, and he also learned (when, in a crisis period, he reduced his one million dollar salary to one dollar per year) that "to lead is to set an example"; and, as the most important piece of knowledge, he learned that "no grown-up person is humble enough to re-learn things." But, because he knew this, he was also able to learn all those things he did not yet know.

The whole world could see the end result. And now, through this book, we can, too. Lee Iacocca summarizes the lessons of his successful life in the following manner: "People can hardly wait to be lead."

Of course, here, "in the middle," I would add that it makes a difference, in which direction?

12588

## POLAND

**POLITYKA Weekly News Roundup**  
26000655 Warsaw *POLITYKA* in Polish  
No 36, 3 Sep 88 p 2

[Excerpts]

### National News

The Council of Ministers has not taken advantage of the authorization to freeze wages and prices given to the government in the law on extraordinary powers. Enterprise directors and self-managements have been asked to observe wage and price discipline.

The 63rd conference of the Association for International Law met in Warsaw. The participants discussed, among other things, questions of international monetary law, extra-territorial jurisdiction by states, international criminal law, the problem of so-called exclusive economic zones established by states, observance of human rights, international commercial arbitration, and questions of human rights. Doc Dr Jerzy Makarczyk, a Pole, was elected chairman of the Association.

In Krakow, the 16th Regional Conference of the World Food and Agricultural Organization met; the participants included representatives of the European FAO member countries and observers from unaffiliated countries and from members of a number of international organizations.



At the church in Mistrzejowice in Nowa Huta, the International Conference on Human Rights met. The host was Father Kazimierz Jancarz of the local parish; the participants were activists in the movement to protect human rights, in social and union organizations from such countries and organizations as Japan, Holland, the Chilean Human Rights Commission, the Union for the Protection of Human Rights from Guyana, the Polish opposition, and representatives of the PRL Ministry of Justice.

We are living more expensively. According to the detailed findings of the Central Office of Statistics, TRYBUNA LUDU writes, the costs of living for a family during the first six months of 1988 rose by 149.6 percent from the level for the same period a year ago. Price increases during the second quarter, when the index for the cost of living reached 154.6 percent, were largely responsible for this situation.

The Wielkopolski political club "Order and Freedom" affiliating people with independent views among Catholic groups has been registered in the Voivodship Office in Poznan.

The "Peace Forum," which includes scientists, artists, and writers from all over the world, met in Wroclaw in celebration of the 40th anniversary of the World Congress of Intellectuals in Defense of Peace.

The law on cinematography includes provisions for placing the theaters in private hands. In the Czesochowa Voivodship, two theaters, one each in Pajeczen and Blachowna, have already been leased to agents.

The board of the Polish Olympic committee announced that a squad of 147 athletes will represent Poland in Seoul and participate in Olympic competition in 18 sports.

Cepelia sold goods worth nearly \$7 million and 2.5 million rubles abroad during the first six months of 1988. By the end of the year exports by the partnership are expected to exceed \$13 million and 4 million rubles. The largest part of Cepelia's exports (38 percent) will go to the FRG.

#### On the Left

There were 100,000 participants in a demonstration in Wilno on the anniversary of the signing of the Molotov-Ribbentrop pact. During the demonstration, Stalinist repression in Lithuania was condemned, and it was said that the "mass deportations carried out before the Nazi's invasion of the Soviet Union did not contribute to the consolidation of forces in the fight with the invader." There were similar demonstrations in Latvia and Estonia. TASS: "Simultaneously, it was impossible not to notice the equally destructive nationalist emotions."

A fragment of a lengthy article on the negative consequences of the Molotov-Ribbentrop pact in the newspaper SOVETSKAYA ESTONIA: "Since the pact on non-aggression is inextricably joined to its supplementary protocol, these two documents at the very outset deserve a negative judgment. The worst consequence was the damage to the balance of forces in Europe to the benefit of Germany, which allowed Hitler to begin World War II. . . . The time has come to admit that a collective security system based on cooperation among the Soviet Union, France, and Great Britain was not built, not just because of London and Paris, but also because of Stalin's policies, both domestic and foreign. Besides this . . . these policies also caused great confusion in the international communist movement and in democratic circles. In fact, all communists, the world over, following the example of Moscow and the Comintern, had to praise the pact for reinforcing peace. . . . As regards the supplementary protocol to the Molotov-Ribbentrop pact, it is impossible to forget the problem of political morality."

The leaders of both parties, of Hungary and Romania, N. Ceausescu and K. Grosz met in Arad (in Romania). As a result, among other things, a Hungarian delegation will go to Transylvania to examine the implementation of the controversial program of territorial transformation.

From this same article, one of the fragments about Poland: "What is the explanation for the supplementary protocol placing the very existence of Poland as a state in doubt? In the history of mutual Soviet-Polish relations, there are several unexplained problems, including the events of 1939. This type of "blank spot" arouses negative emotions among Poles even today and affects relations with the Soviet Union. . . . On the one hand, it is clear that the Polish government implemented a short-sighted, ambitious foreign policy, which was sharply directed against the Soviet Union. On the other hand, it is necessary to take into account the difficult geostrategic location of Poland between two large powers and Moscow's attitude toward Pilsudski's Poland was at times unjust, and at times not, and was distrustful, even hostile. Molotov, for example, called the prewar Polish state "an aborted fruit of Versailles." Since the attitude toward Poland in Berlin was exactly the same, everything went as it did."

Residents of the FRG will be able to send convertible currency to the residents of the GDR beginning in October. Until now the transfer of private monetary funds between the two German states was forbidden.

The Adam Mickiewicz Association of Poles has been founded in Grodno. In the region of Grodno, TRYBUNA LUDU reported, there are 300,000 Poles, and in Byelorussia, 400,000.

A fragment of the resolution of the Central Committee of the Lithuanian Communist Party: "The party and representative bodies and the social organizations sometimes do not pay proper attention to, are not sensitive to,

and are not tactful in, meeting the justified proposals and interests of particular national groups."

Attendance at churches in the GDR is declining, and it is believed that the percentage of believers in society as a whole has declined in a relatively short time from 90 percent to about 30 percent as a result of civilizational processes. The Catholic Church, which just a few years ago had around 1.1 million faithful, now admits to around 900,000 believers. The situation for the Lutheran Church is similar.

The average rate of growth of the population in Romania in 1951-65 was 1 percent, in 1966-86, 0.9 percent; but during the last two years, it has been 0.5 percent. In Romania, there are no contraceptives whatsoever, and abortion is forbidden. It is said that the price of the operation is 10,000 lei, or more than three months average income.

#### Opinions

Father Alojzy Orszulik, director of the Episcopate Press Office:

[Answer] We are counting on the state authorities recognizing that at least we have equal rights to own printed media with the secular forces. The opening of new Catholic journals will require the appropriate preparation of journalists in theology and religious education. The decree of the Vatican Council "Inter mirifica" requires the pastors of the Church to form institutions where Catholic journalists can prepare to perform their jobs. In this regard, it would be important to form a Catholic Association of Journalists, which would organize journalists regardless of their place of work, who accept the Christian system of values and follow the Church's social teachings.

(Interviewed by Katarzyna Wyzga, NOWE ZYCIE 14-27 August 1988)

Wlodzimierz Lubanski, OPZZ deputy chairman:

[Question] However, a wildcat strike, in addition to its broader economic underpinnings, usually has a specific cause within the plant or group. Why do unions not detect the situation earlier so that such illegal activities do not occur?

[Answer] Do not detect? It does happen. But recall how everything began in April? From transportation in Bydgoszcz. Before work was stopped there, negotiations had been conducted; the federation covering the trade unions in the city transit system participated in them. The other side, however, delayed resolution.

Why endlessly delay collective disputes, as if to provoke dramatic forms of protest? And when the results finally become visible after an illegal strike, everyone knows what is apparent then. Then no explanations that the problem was resolved earlier help.

(Interviewed by Irena Scholl, GLOS ROBOTNICZY 10 August 1988)

Doc Dr Stanislaw Gebethner of the Institute of Political Sciences at Warsaw University, member of the Sejm Advisory Group:

[Answer] I must admit that after more than two years of work in this Group, I am simply disappointed. . . . Creating this body as a large group of 40 to 50 people was a mistake. It is a mini Socio-Economic Council, which predominantly consists of scholars, and not an energetic, active group of experts. The second question concerns the results of our work. Obviously, I have nothing against the deputies for not following the advice given them. It is, however, hard for me to accept the fact that they neglect, or pass by, it without any discussion. I will put aside the fact that many predictions of bad decisions have later turned out to be true. Frequently, our opinions simply are not presented to the deputies by the Sejm Presidium and the chairmen of the Commissions. But these opinions should be one of the motivations in making a decision."

(Interviewed by Piotr Andrzejewski and Krzysztof Golata, WPROST 14 August 1988)

Jozef Klasa, general secretary of the Polonia Society:

"We should establish the law and rules so as to educate society and to prevent emigration from becoming a political, economic, and moral defeat for the state and nation.

The integration processes occurring in the world will lead to a change in the functions that the borders of states now perform. Decisions about where to live and work will become one of the elementary human rights, and the socialist Polish state with all of its emigration peculiarities must begin to think about this today."

(From a speech made during a meeting of the Consultative Council of the chairman of the Council of State, RADA NARODOWA, special issue, no 7)

(The opinions and views cited in this section do not always agree with those of the editors.)

**Deputy Minister Discusses Progress on New Association Law**

26000640b Warsaw TRYBUNA LUDU in Polish  
30-31 Jul 88 p 4

[Interview with Deputy Minister of Internal Affairs Brig Gen Zbigniew Pudysz by a PAP reporter: "Work on the New Association Law Continues"]

[Text] Work is continuing on the new association law, which would broaden the freedom and possibilities for action of the association movement, promote the growth of valuable civic initiatives, and meet more fully the personal interests of citizens.

"The new legal solutions should," Deputy Minister of Internal Affairs Brig Gen Zbigniew Pudysz emphasized in his conversation with a PAP reporter, "not only reflect the present realities of sociopolitical life in this country but also allow for the prospects of the changes taking place in Poland, promote these changes, and serve the idea of national accord."

When asked about the course of work on the new law and the main directions of the provisions being drafted, he declared:

"At present more than 2,150 associations with the most varied aims are active in Poland. Their number is steadily rising and by now they associate on a totally voluntary basis some 18 million citizens. Last year alone, 179 new associations were formed, more than recorded in previous years. The first few months of this year point to a growing interest in forming new organizations. This trend undoubtedly reflects the revival of sociopolitical life in this country.

"Recently we relaxed the requirements for legalizing associations. Refusals to register them are made only in exceptional cases and more and more rarely. This is best demonstrated by specific figures. Last year 32 associations were denied registration, which means that nearly 85 percent of registration applications was settled affirmatively. For comparison, in 1986 80 new associations were registered but at the same time 74 others were denied legalization.

"The work on the concept of the new association law has included a comprehensive and critical assessment of the regulations dating from prewar years as well as of their revisions to date. In addition, we performed a comparative analysis of the laws governing freedom of self-association of citizens in nearly 20 selected countries, including not only socialist countries but also the United States, Great Britain, the FRG, France, Italy, Sweden, etc. We studied their procedures for legalizing new associations and monitoring their activities. The related solutions vary greatly depending on the country. In most countries, associations are registered by courts but so far as their monitoring is concerned it is the administrative forms that predominate.

"We proceed on the assumption that the bounds of the freedom of self-association should be defined by both the principles of the binding Constitution and the norms defined in international treaties on civil and political rights to which Poland is a signatory.

"We propose for example discarding the possibility of denial of registration of a new association on the grounds of so-called lack of social usefulness. Although in recent times this provision has been applied only sporadically, in exceptional cases, it is the one that always elicits the greatest controversy and criticism.

"In addition, the practice of registering various local branches and chapters of already legally recognized associations appears superfluous. The interference of the state in the activities of legally existing associations should be confined to the indispensable minimum determined by considerations of state security. We believe that the new law should broaden the legal possibilities for transferring to associations certain rights and duties of the apparatus of state along with the resources needed to exercise them, and in addition the traditional division into ordinary, registered, and benevolent associations should be reappraised.

"Most importantly, however, the abandonment of the traditional regulation of associations by the government and the delegation to civil courts of matters relating to the registration of associations are being considered. This also means that the courts would decide on disbanding or dissolving an association. They also would have the power to decide whether the stated purposes and forms and methods of activity of an association are or are not aimed against the political and social system and laws of the Polish People's Republic, and whether they do not conflict with international treaties. It is thus proper that such important questions be resolved by an independent judiciary.

"At the same time it appears fundamental that the power to monitor the activities of associations be retained by the local agencies of state administration supervised by the Minister of Internal Affairs. This is due chiefly to the need to assure conformity of the new law with the Constitution, which charges the Council of Ministers with the duty of safeguarding public order, the interests of the state, and the rights of citizens. The Ministry of Internal Affairs is, pursuant to law, the leading national agency charged with safeguarding national security and public order. The law also charges it with the duty of supervising socio-administrative affairs, which include problems relating to associations.

"Such a system of legalizing associations and supervising their activities would safeguard the freedom of citizens to associate themselves within the bounds defined by the Constitution and safeguard as well the ability of associations to pursue freely their statutory purposes. At the

same time it would provide an effective barrier to abuses of the association law such as activities conflicting with law and order or even aimed against the interests of the state."

Further, the Deputy Minister of Internal Affairs pointed out that the work on the new provisions is already in an advanced stage, and soon now its results will provide a basis for public discussion of the nature of the new law on associations. "I wish to express my conviction," he added, "that these comments shall initiate such discussion."

1386

### **Press Role in Government-Society Dialogue, 'Pressures' Discussed**

26000027 Warsaw PRASA POLSKA in Polish  
No 7, Jul 88 pp 7-9

[Article by Danuta Wroniszewska and Aleksander Wroniszewski: "The Fourth Branch of Government or a Warped Mirror?"]

[Text] The relationship between the authorities, the press, and society is not only a subject for research on the press and the required topic of classes at departments of journalism, but [also], and maybe primarily, the source of trouble and bitterness for all three elements. The model operating press assumes that it is an intermediary between those who govern and those who are governed. Information and views are transmitted through the press as feedback. In reality, however, "tilts" still occur, which means that the press becomes the mouthpiece of just one (usually the governing) side.

Society displays its dissatisfaction with this situation by, for example, burning newspapers in public, demonstratively abstaining from watching TV news, mockery. The disapproval of a journalist by representatives of the authorities is often less spectacular, but more detrimental to the specific "offender."

In this triad, the role of the one who is between the rock and the hard place, that is, the journalist, is undoubtedly the most difficult. He is also the one who has the most restricted means to counter being placed in a stressful and, at times, stalemate situation. After all, his choice is between resignation, or professional death, and persuading the decisionmakers and functionaries that restricting the freedom of the press causes disastrous consequences.

This is also the reason why last year's "Gorzow affair," or the repercussions of the evaluation of the local press by the executive board of the PZPR Voivodship Committee in Gorzow (which ended with the resignation of editor in chief Bronislaw Slomka), aroused the interest of journalists not only in this specific case, but also the general issue of the attitude towards the press on the part of a political functionary.

At the time, PRASA POLSKA carried a protest resolution of the National Reporting Club of the SD PRL [Association of Journalists of the People's Republic of Poland] and a long article entitled "On the Brink of a Yellow Card." A year later, the National Reporting Club resolved to take up the matter again, "with a cool head," at the May session of the club in Krasne Dlusko (Gorzow voivodship). It turned out, however, that in April the emotions of the Gorzow journalist community came back to life, and quite unexpectedly, following an evaluation—this time, favorable—of their work and attitude by the executive board of the PZPR Voivodship Committee.

Maciej Wozny, our new editor in chief, and secretary of the primary party organization Dorota Frateczak also took part in it, said Magdalena Tomczak to the journalists. We learned that the executive meeting was "non-descript": two smooth presentations and no discussion. In turn, in the April issue of the journal, we saw a "potpourri" by the editor in chief on the "the business-like discussion, without undue emotion, which was crowned with specific conclusions." These "specific conclusions" were the most astonishing. For example, the statement by the executive board on "the perceptible progress in programming the work of teams" at a time when the editorial staff of ZIEMIA GORZOWSKA was wrapped up in the departure of editor Slomka and the arrival of the new editor in chief was, at the very least, far from the truth. In GAZETA LUBUSKA, Stefan Ciesla suddenly stopped to be in charge of the Gorzow branch on 1 January, and every month yet another person came from Zielona Gora to supervise his work....

What kind of a "new, higher quality the forms of party influence and cooperation with the journalist community have assumed," asked Magdalena Tomczak rhetorically, if we still communicate only with the head of the department Waldemar Sokol, who has "to have a consultation" before he answers a question? Could it be that by "the journalist community" the executive board meant the editor in chief?! The so-called press days are also a waste of time, because nobody has anything interesting to tell us.

Showing an increase in the press run of a publication by comparing July of last year with January of this year is not a very honest operation, though undoubtedly an effective one, added Krystyna Kaminska.

However, the journalists of ZIEMIA GORZOWSKA were most upset by the statement: "The executive board is particularly satisfied with the fact that an overwhelming majority of journalists of the local press and radio have distanced themselves from the attempts to promote the atmosphere of an unhealthy sensation around the proceedings of the executive board of the PZPR Voivodship Committee on 25 February of last year and create the myth of a conflict. The executive board also states that the change of management in the editorial office of

ZIEMIA GORZOWSKA has greatly facilitated the unification of the editorial staff, increasing its mobility and efficiency in performing its social functions."

After all, the staff was unified when Bronislaw Slomka managed it, argued Jerzy Zysnarski. We were not split by any quarrels. Editor Slomka published statements by members of the executive board in the press in order to show that representatives of a body constituting "the collective wisdom" of political functionaries advance views which have more or less come from cold storage. When it became "hot" around Bronek [Slomka], the primary party organization of journalists gave him its vote of confidence. This very case showed that the staff was a good team and had esprit de corps. To be sure, Bronek later resigned from his position, however, not because of the difference of opinions among the staff, but because he had come to the conclusion that by publishing this he had pronounced his own sentence. At the time, the opinion was hatched at the committee that Slomka had simply had the desire to get out of Gorzow for a long time, and pulled off this "stunt" with the executive board only in order to leave with a halo around his head. However, a year later we find out that his departure was desirable in order to consolidate the mobility of the staff. I don't know who was interested in creating a stir at a time when our relations with the committee had become normal.

First secretary of the PZPR Voivodship Committee in Gorzow stated that he did not take part in this year's meeting of the executive board on evaluating the press. "However, when I saw the conclusions, I wondered whether they were not overly enthusiastic."

Regarding the press days, he said: "Press conferences of Minister [Government Spokesman] Urban are also boring on occasion, when journalists don't ask interesting questions."

In turn, he recalled with a certain note of bitterness: "When I once tried to intercede with GAZETA LUBUSKA by proposing what the best publications would be for the local page, I was given the cold shoulder. The editorial staff secretary told me up front: 'Comrade, do not bother directing the newspaper, for this we have the PZPR CC Propaganda Department.'"

Miroslaw Rataj, editor in chief of GAZETA LUBUSKA, with a proposal on what would be the best to publish [a line apparently missing in the original—translator's note] about Zielona Gora and Gorzow voivodships, admitted that there are certain intricacies between the management of GAZETA [LUBUSKA] and the Voivodship Committee in Gorzow, resulting from the complex Gorzow has with regard to Zielona Gora: "There was and is a difference of opinions regarding the rank of the boss of the Gorzow branch of the newspaper. The committee would like to see in Gorzow a deputy editor in chief of the newspaper rather than a manager. Despite our efforts to treat both voivodships equally in the

newspaper, we are suspected of being more eager to run critical materials about Gorzow than about Zielona Gora. Young voivodships are very ambitious and sensitive to criticism...

Meanwhile, last year Gorzow was mentioned in the national press not only in a favorable context. In August of last year, the readership of POLITYKA, which published an article by Zbigniew Talarczyk entitled "The House of Horrors," shot up among the Gorzow populace. The article revealed the manipulations by some voivodship-level personalities to exchange their apartments for larger, better located ones, built with traditional bricks. The first reaction of the Gorzow authorities was.... indignation over such an article appearing at all. Before they started checking out how justified the accusations made were, there was excitement over answers to the questions: "Who is the author?" and "Could this be the revenge by the journalist community for the departure of editor Slomka?" This affair also poisoned the atmosphere of anniversary celebrations by GAZETA LUBUSKA. First secretary of the PZPR Voivodship Committee Wiktor Kinecki (who had assured PRASA POLSKA representatives less than 3 months earlier: "For as long as I am the first secretary in Gorzow, there will be no arbitrary management of the press") began to prompt the editor in chief of GAZETA LUBUSKA to... come out in defense of the comrades attacked by editor Talarczyk. Miroslaw Rataj was decidedly in favor of waiting for the results of professional investigations. This ended even in a commission nominated by the executive board of the PZPR Voivodship Committee finding irregularities.

"The Voivodship Control and Audit Commission has penalized three persons, and cleared three others. One person has failed to show up for the hearing, and will likely be expelled from the party. Deputy Fraczak will be evaluated by another body."

In the fall and winter of last year, the voivodship was preoccupied with the elections of the Board of the Voivodship Trade Union Accord. Trade union delegates boycotted the elections twice in protest over the person of the former chairman. Officially, nobody took notice of the problem (despite the press reporting on it extensively), and the former chairman works single-handedly for the entire board.

Much disgust was also caused by the case of three SB [Security Service] members from Strzelce Krajeńskie beating up youths (including one minor) in order to force a confession that they had set fire to a haystack, which, after all, they had not done. Also, Gorzow voivodship became known as the dirtiest in the country, which local authorities do not agree with, arguing that it ranks the 21st on Gen. Janiszewski's list.

Secretary Kinecki believes that neither the perturbations with the press nor the local affairs mentioned above are Gorzow specialties. It is just that the Gorzow cases,

unfortunately, gain particular notoriety. As an argument, he quotes the most recent case of a "mishap" with the officials of the Gorzow "Stal" [an athletic club—translator's note]: "All cinder paths were groomed, but the scandal broke out here."

Local specialists in sociopolitical forecasting foresee the gathering of hail clouds in the nearest quarter over local correspondents of the PAP [Polish Press Agency], SZTANDAR MŁODYCH and TRYBUNA LUDU. After all, they are the ones relaying many uncomplimentary messages about Gorzow voivodship throughout Poland.

Journalists the world over are aware that they incur certain risks by revealing facts inconvenient for the authorities: after all, even Cleopatra condemned to death the messenger who brought her the news about the death of Antonius. At the same time, the first and simplest principle for a reporter is: "Good news is no news." Practice confirms this: a Fair Oaks, California daily, which, in keeping with its title "The Good News Paper," published only the good news, suffered a permanent loss. In turn, "tabloids" replete with disasters, misfortunes, affairs and scandals have the greatest circulation in the West. However, this does not rob the average citizens of appetite and good sleep. Nor does it inspire anybody to change the [political] system into a more quiet one. At the most, one uncovered luminary taking bribes is replaced by another one, whose hands are clean.

In our country, cheerful reports are preferred. Perhaps, some decisionmakers think that, inasmuch as the press does not describe some swindle or reveal a problem, then it is as if the latter had never existed. Wanting to avoid danger, a child closes his eyes, and a decisionmaker leaves a "dangerous" text in the drawer of his desk. As did, for example, the first secretary of the PZPR Voivodship Committee in Elblag, who held up an article by Grzegorz Baranowski on the border crossing between Elblag and Kaliningrad, because the journalist mentioned that its opening had been delayed by local political authorities. Or as did "the first [secretary]" from Suwalki, who, suspecting that a report unfavorable to him might be published by a weekly in another voivodship, asked the committee to bring pressure to bear on the local [editor in] chief.

Włodzimierz Kazula from the Bydgoszcz FAKTY confessed that over a 5-month period of this year he submitted 120 pages of typewritten copy to the editorial office, of which five pages were published. Despite this, he received 6,000 zlotys as a bonus "for achievements" in the first quarter, in which he published nothing. Actually, this was rather a consolation prize.

A journalist who had written a critical piece about a certain electoral program, received an honorarium for the text and an order... to write an optimistic version. Of course, this revision did not improve the program itself;

however, it definitely improved the feeling of welfare of the local authorities, all the more so because the evaluation of such a program in a neighboring, competing voivodship was favorable.

These cases seem to indicate the return of the disease of futile propagandism, and the fact that party echelons and editors in chief take over the work of censors. In the opinion of several discussants, the censor seldom "crosses out" a text. He only makes a suggestion. As a rule, editors in chief prefer to follow this suggestion. At times, censors take up their doubts with the echelons. Generally, the result of consultations is known from the very beginning.

Such practices bring about paradoxes. Thus, PRAWO I ZYCIE, KULTURA, ODGŁOSY and other magazines published extensive reports on the April strike at the Bydgoszcz Voivodship Communications Enterprise, whereas the Bydgoszcz press did not. When on 10 May Włodzimierz Kazula queried the chief of the department of propaganda of the PZPR Voivodship Committee about the reasons for his copy being held up, the response was: "It was not my doing."

Editor in chief of GAZETA LUBUSKA Mirosław Rataj, proceeding from the assumption that strikes at the Lenin Shipyard and Nowa Huta are also of interest for the inhabitants of Gorzow and Zielona Gora voivodships, wanted to reprint more extensive coverage from the Krakow and Gdansk press, in order to counterbalance in this manner the influence of propaganda by Western Polish-language centers. He stated: "Unfortunately, GAZETA KRAKOWSKA of 28 April emphasized the program of a celebration on the occasion of the 'Day of the Metallurgist.' I used PAP [Polish Press Agency] materials. The newspaper was sold out in 2 hours, which shows that readers want to be informed not by [Radio] Free Europe alone."

Undoubtedly, cutting journalists off from the sources of information was the most troubling phenomenon to manifest itself during the difficult days of the April and May turnaround, rather than forceful interference by censors and propagandists in the texts (crossing out, but also adding sentences to the author's [writings]). These were restrictions on the right to information rather than the freedom of speech. Alicja Basta, from REPORTER monthly, which planned to do a report on the spring strikes, said: "Until 5 May, we were under a strict order not to 'get mixed up' with the issues of striking enterprises. This was all the more unpleasant, because we could see that such restrictions did not apply to foreign journalists."

In a presentation summing up the discussion, Associate Prof. Jerzy Oledzki from the Journalism Institute of the University of Warsaw recalled: "The press is a reflection of reality. When the authorities, seeing a not too beautiful image, try to retouch the reflection rather than improve reality itself, the people turn away from the

warped mirror. They seek truthful information in the second circuit [underground publications of the opposition—translator's note] or through foreign radio stations. Maintaining the prestige of the press is in the correctly understood interest of the ruling party, because it also guarantees the prestige of its sovereign."

In the West, they often refer to the press as "the fourth branch of government," along with the legislative, executive and judiciary. In our country, the press is positioned between the authorities and the society. After all, our state system also is based on democratizing communications, or the free flow of truthful information and views. Breaking the social contract amounts to restricting democracy and the emergence of a situation fraught with crises.

When asked whether those who shape the propaganda also familiarize themselves with the basic knowledge on the theory of information and propaganda, along with the students, Associate Prof. Oledzki responded that in 1984 he wrote a piece on this topic for the quarterly KULTURA POLITYCZNA. However, it was not published, because "the times were not conducive to this." However, he published it in Western countries, and recently—in the Soviet Union.

9761

**'Kisiel' on Solidarity Mistakes, Marxism as 'Error of History,' Other Issues**  
26000011 Warsaw KONFRONTACJE in Polish  
No 3, Mar 88 pp 10-11

[Interview with Stefan Kisielewski, Catholic writer, columnist for Catholic weekly TYGODNIK POWSZECHNY, by Jerzy Szczesny, on 29 Jan 1988]

[Text]

[Question] We are now at a difficult juncture, some maintain that this is the most difficult juncture in the history of the PRP. You are an alert observer, and at one time also a player in politics. What is your view of the Polish opportunity and the Polish future?

[Answer] I will refer to the response by Willy Brandt: if you lack optimism, you should give up politics. So I do not have such optimism, and for this reason I gave up politics. Except I write.

[Question] The emigre journalist Juliusz Mieroszewski stated once that there are no hopeless situations in the life of multimillion-strong peoples with traditions of many centuries. What happens is that there are hopeless politicians. That contradicts Brandt's view.

[Answer] I disagree with the opinion of Mieroszewski. This is a play on words of sorts. I believe that at present Poland finds itself in an exceptionally unfortunate political, economic and psychological situation.

[Question] Are we not overemphasizing this exceptionality really? Over the past 40 years, voices demanding political and economic reforms have risen continuously. In the bloc of socialist countries, Poland has altogether led in demands for and attempts at reform.

[Answer] Poland has led? You are mistaken. There were other countries which went further with such demands, say, Hungary in 1956, or Czechoslovakia in 1968.

[Question] However, with consequences we should not wish on anybody. In Poland, on the other hand, a continuous awareness of the necessity of changes has existed, though its intensity has varied. In Hungary and Czechoslovakia, we saw long periods of stagnation and explosions, whereas the Poles have shown an incredible amount of political realism, which, incidentally, we are still not given credit for. I say this because my question touches on the opportunity for a consensus, as broad as possible, at present. The exceptional nature of the current situation is due not only to the present crisis being extensive and profound, but also due to the awareness of the need for changes and reforms existing on the side of the authorities as never before. In turn, the changes and reforms are effected languidly and slowly. What kind of a consensus could speed them up?

[Answer] I take a different view of this. Poland emerged from the war in a situation in which no other state found itself. Not only was our industry completely in ruins and there was no capital to rebuild it with—on top of that, the townspeople were killed off, and there was no middle class, and, besides, we were transferred to new lands, incidentally, also destroyed. The post-war Poland was a blank page on which ideologists rather than economists began to write. The ideologists could write whatever they wanted, they had absolute freedom in that. Also, the remainders of the bourgeoisie were destroyed. The fate of the surviving pre-war intelligentsia, having pre-war competence, is commonly known. Economics were entirely subordinated to ideology. New industry, mostly heavy, iron and steel mills, mining, etc., was built rapidly. This was done for political reasons. The goal was to create the working class, which was supposed to be the social base of the new authorities, and to crush the peasantry, which was not at all eager to support the new political system. Very many things useful for the state and the people were destroyed into the bargain, say crafts, the remainder of private industries. In the battle for trade—which was won, how else—the network of private and cooperative shops was annihilated. We forget too often that present-day problems are rooted in these blunders. Here is an example for you: at present, old towns everywhere are falling apart. Why? Because the group of landlords who owned the houses and kept them up has been eliminated. By eliminating the owners of houses, the maintenance of the houses was eliminated, with nothing introduced in its stead. If somebody thought that the ADM [Residential Housing Administration] would take over the maintenance, then he simply was a fool. If we add to this the elimination of

construction crafts, then nobody should be surprised by the old homes falling apart now. Thus, at the inception of the PRP, a great number of irreversible mistakes were made, and there was no foundation for resisting these mistakes. This is why we are now in the situation we are in. All of these are consequences which surfaced time after time, and now have occurred in many spheres.

[Question] Not only the people who are averse to the system prevailing in Poland, but also a segment of those who created it now agree with this diagnosis. The Polish problem 1988 A.D. is not one of pointing out the mistakes or absurdities of the past. As I see it, this is the problem of what is to be done now. Everybody can see the obvious, with the emphasis on the word "everybody." Therefore, is there any social, nationwide *modus vivendi* for bringing about the delimitation of common interest for all, for those who like communism and for those who don't, and is it true that there is no comprehensive opportunity to agree as to the future of the country where we, after all, will continue to live together?

[Answer] Well, it is certain that there are many people concerned about the current situation, or those who would like to change many things, and fast. However, it is very difficult to find a recipe for change. "Solidarity" also wanted it, but it was permeated by Marxist thinking, which I believe to be a mistake. "Solidarity" bandied about the phrases about the working class, about the state having to provide [for us], about this or that needing improvement rather than simple liquidation. To tell you the truth, the peasants remain the only healthy class in Poland, having not been made manneristic by phraseology, but they are not particularly pampered. At present, the Polish future is shaped by the class of officials, who get paid on the first of every month and know that at some point they will receive retirement benefits of some kind. They are the ones interested in everything remaining as it was. This class may lose as a result of any change, therefore, it will effectively resist any change. This is a peculiarity of a sizable social group, and it is sad and unpleasant. In turn, my peculiarity is that I have decided to write merrily about sad and unpleasant things. The people liked it, and, for reasons unknown, found some consolation in it. However, this in no way moves things forward.

[Question] Exactly.

[Answer] Exactly? Why do you want me to move things forward? What can I do in this matter, to say nothing of wanting to do it? When I write books, it is my specific work, and everything else appears an illusion to me. Meanwhile, due to various turns of events and points in personal history, many of my friends and enemies still want to see me as an active journalist, or even politician. My columns doctored by censors maintain this illusion of theirs.

[Question] Are you not being unfair? The censors cut out less now than they used to, any you may write considerably more.

[Answer] But they do cut things out, and I do not like it.

[Question] Nobody likes it.

[Answer] Are you sure about this? I, for one, am not. However, let us return to putting the so-called things into so-called forward motion. So, at present I value words more than deeds. This may have come with age and experience. I am not going to argue. Anyway, words are, despite everything, more real; it is known what they mean. Actions at times lead to altogether unintended consequences. Who really comprehends God's ways? Therefore, I come out in favor of the Word, and point out to my friends and enemies that they err, believing in deeds alone.

[Question] Do you like to antagonize everybody? Is this not coquetry?

[Answer] No. This is a necessity. I do not like communism, so my statements will hardly be liked by its proponents. In turn, I think that our entire opposition is traditionally tearful, [based on] martyrdom and pathetic, which would not be that bad, if it were not essentially populist and profoundly believed in the historic mission of the working class. Meanwhile, if I were to make a suggestion, I would propose a capitalist rather than workers' kind of rebellion against the current shortcomings. Generally, I am in favor of freedom. And who is free? He who owns the means of production—Marx made no mistake on this one. In our country, in principle only the state has the means of production, so only the state may feel free. Besides, our system is both strong and boring at the same time, because we all participate in it not only inertly, but also unknowingly. I know a lady at the tax office who slaps taxes on people at maximum rates, though she does not have to, and it does not dawn on her that, in doing so, she destroys the initiative of these people and their desire to improve their lives. And, since this lady wears a cross around her neck, it appears to her that everything is all right.

A tremendous force of custom and inertia is generated if economic issues are equated with political ones under a system of state production, and the entire people is drawn into this. Also, there is [the force of] peculiarly understood patriotic opportunism.

Returning to the main issue: what is to be done? Two basic facts exist, the foreign debt, which is growing, and the atrocious condition of production. The latter will not be overcome without renewing the pool of equipment. This is obvious. Where is the money for it to come from? It is hard to conceive of the rebirth of the economy under such circumstances. I do not want to be the raven who only croaks, and try to find something which may be the bud of the rebirth. Recently, I did an interview with my



colleague Stomma, which won't be published, and not for considerations of censorship. So, Stomma said that a thorny road of the return to capitalism awaits us. Of course, it is thorny, because it is difficult to return to something that has been utterly destroyed.

[Question] Do you believe that a return to capitalism is really possible?

[Answer] Unfortunately, perhaps not. Once I asked Cyrankiewicz [prime minister of Poland, 1954 through 1970—translator's note] in the Sejm whether he still believed in socialism. He responded: "And what am I supposed to believe in? Capitalism? After all, you cannot build capitalism without capital." One may agree with him to a certain extent.

[Question] Do you think that, if there were capital, society would desire the return of capitalism?

[Answer] Certainly not. This is the second misfortune. People want the abundance of merchandise which capitalism offers, but they are scared stiff by capitalism itself. They are afraid that there may be no permanent salary then, that one will have to sweat and apply himself in order to get money at the cashier's window on payday. The employee is afraid to lose what he has. He is afraid to lose retirement benefits, health care—poor as it is, after waiting for a couple hours you do get through to a free doctor. Therefore, I am afraid that in present-day Poland a majority of the populace does not want capitalism. After all, the populace has lost the conqueror's ambitions, it has lost the inclination to think up something new, be creative, take risks—even get rich legally by working and thinking. This is why I have no illusions. Among the masses, nobody wants real capitalism. Nonetheless, we have small symbolic groups, which bank on the free market, initiative, economic risk—in a word, all that has led to the current prosperity of highly industrialized countries. I support these groups and wish them well. Therefore, I like Mr. Dzielski from Krakow, Korwin Mikke, Aleksander Paszynski and Prof. Stefan Kurowski, whose views are very close to mine. All of that is, of course, rather symbolic and on a small scale, but I support such thinking in my columns.

[Question] Do you see any symptoms of change in the economic thinking of the decisionmaking echelons?

[Answer] Well, yes, but they do not result from a more profound consideration of the economic and political heart of the matter, but simply from the fear of what further clinging to absurdities and nonsense may bring about. I always say that our reformers are very daring [sic!], that is, they are afraid to reform on a broader scale or faster. Besides, they see sociotechnics rather than the desire to actually change in these reform attempts. We can quote many examples when reform proposals involve details of little significance, whereas the essence of things remains unchanged, the discussion on the electoral law, to mention just one. Much ado about

basically insignificant details, without touching on the heart of the matter, i.e. whether people's councils are supposed to be organs of a uniform state authority or organs of territorial self-government. There are still people in our country who believe that tea gets sweeter from stirring. I have been saying for years that it is from sugar.

Once again, economic thinking is not an overly complicated endeavor in our country, overflowing with economic absurdities. I see many things which can be moved right away, say, industry in rural areas. Supposedly small, but large if you total it up; the processing industry based on local raw materials, which our country has in abundance. Mainly, this is how I see our future. Do you know that, after slaughtering cattle in our country, the hides are buried in the ground? The reason is there is no local tanning industry, which could generate a substantial profit. Meanwhile, in the West products made of hides are very expensive. Therefore, the administration should quickly allow this industry to be set up and make loans easier to get, rather than defeat budding initiatives, as was the case with the Agricultural Foundation proposed by the church.

[Question] Official echelons are themselves involved in tracking down economic absurdities. Much is being said and written about it.

[Answer] Yes, said and written. However, what has been the result of it?

[Question] I believe a better one than in the previous attempts to restore common sense in the economy. Besides, this is a process rather than a one-time decision.

[Answer] However, this process is slow, and, on top of that, in many fields it has not gotten underway yet. To be sure, as much is being written and said as never before. Once in the Sejm I compared Poland prior to October [1956] to a broken-down car. After October, the horn was repaired, and the car could honk. So, now you can honk to your heart's content, but can the absurdities be eliminated? The prosecutor still does not know that you can, that there is the reform, so, when you bring eggs from the village and sell them in the city at a profit, this will be speculation. Or, if you deliver fresh bread to the doorstep of people and make money this way, it may also become a criminal matter, and it would certainly end with a fine, because the prosecutor does not know yet that absurdities can be eliminated, though the horn is sounding.

[Question] Helplessness emanates from what you are saying.

[Answer] No, why? There is a way out. The problem is nobody would agree to it, neither the authorities, nor the populace. In Australia, they proudly showed me closed-down steel mills and shipyards as a sign of progress. They were closed down, because they were not profitable. The

program for Poland would be to close down what is unprofitable, but it would not be approved by the uncounted multitudes of employees in unprofitable steel mills and shipyards, praised so many times and talked into workers' pride. This would be a real change, because if we change only those who govern, and everything will stay as it were, the result will be nil. If Walesa began managing the economic system in place now, it would be the same, or worse yet.

[Question] Where do you see the ground for reconciling divergent interests and positions?

[Answer] I don't see it, and I would prefer to do it differently, like Ataturk did it in Turkey. One day, he said: I am changing everything, women are to open their faces, mosques are to be closed down, we discard the tarbooshes and from this day on wear ties—overnight. And he indeed transformed Turkey. I would prefer something like this, because I don't see who would reconcile the interests and positions in Poland and with whom. They will immediately begin to quarrel, and all the change will get bogged down in verbiage, if not worse.

[Question] You are not a democrat, are you?

[Answer] No. Who told you that I am? I am a Catholic, and I know that people are blemished by the original sin, therefore, you cannot rely too much on their judgment and treat seriously their desire to make mutual concessions. Too many people in our country speculate about changing the geopolitical situation. However, they forget that such a change would put Poland in an extremely difficult situation. What would happen then? The Germans would want Szczecin and Wroclaw back, the Lithuanians will demand Suwalki. The Ukrainians will also have a proposal to make, and it may suddenly turn out that this Poland is in everybody's way. So, I would not criticize the post-war situation all that much, because it could have been much worse. I am even inclined to consider the present geopolitical situation altogether favorable. However, our misfortune is that the economic and political system constantly in effect is the condition for preserving this situation, unlike the lucky Finland.

[Question] However, this system is changing, and it will continue to change. Everybody appreciates the necessity of it. Soviet restructuring creates the first serious opportunity in the history of communism to date.

[Answer] You see, Gorbachev began with the superstructure, with journalists, writers, artists. Why? Because he is intelligent and he knows that if a racket is made it would not be quieted down that easily. However, changes in the base have not come about yet. Gorbachev himself said that this should take time. May it be as short as possible. I wish him well. However, thus far they only turned on the horn. In my opinion, Poland can play an important role as a laboratory of changes. Russia is huge, it is difficult to experiment there, and the risk is high. But in

Poland it is possible. I think that the Russians could accept such a role for Poland with gratitude. The thing is it is not going to be easy given our indebtedness, and also the current opinion of Poland held in the West. I recently returned from abroad where I was astonished by the highly negative opinion of us which our fellow countrymen leaving the country, who have lost even the minimum of national ambition, are creating.

[Question] Therefore, in your opinion, there is no recipe for a broad consensus?

[Answer] I have such a recipe, but you won't print it: to say that marxist socialism was an error of history, that Marx projected the future of capitalism poorly. We should say that honestly to ourselves. In Poland, it is possible to say that. Move things forward, at least in a matter of speaking. I try, but they cut it out. In general, you are a maximalist. On what grounds do you think that some consensus should exist? That it must be better than it is? For many peoples, it was bad for centuries. You are a child of your time, and you do not want to appreciate that an unavoidable tragic nature of history exists, and that we must learn to live with it every day, if we want to live here. We cannot consciously ignore the tragic nature of history as an unavoidable feature of the order of things. This unavoidability does not fit in any conceptual framework, either the official or the unofficial one. The pronouncements of the government, the opposition and the church directed at the people also do not accept the tragic nature of history as a principle. All of these pronouncements want to be optimistic. Meanwhile, optimism without a feeling of the possible tragic nature will always be propaganda rather than analytical optimism.

[Question] Could it be that socialism was not an error of history, but its concept was erroneously implemented, and everything is being done now—let us hope that everything—in order to give new dynamics to the ideas born in the era of the textile industry and the steam engine. After all, socialism was the result of eternal yearnings by mankind for equality and freedom. At present, powerful forces are getting involved in order to change everything that has been treated unceremoniously by history. You want to rob people of optimism. Optimism is necessary for life, isn't it so?

[Answer] Unjustified optimism is very expensive poppycock. Do recall Gierek. He began well, unleashed the aspirations and ended poorly. Was there optimism? Yes. But this was optimism for someone else's money. When it came to an end, poverty set in, and everybody suddenly became pessimistic. Why? Because that optimism was irrational. And there was so much hope. At one time, Chancellor Schmidt visited Poland and said—I heard this myself—that he would like to have Gierek in his cabinet. At this point, I told the ambassador: he is welcome to Gierek! However, Gierek may have been a good minister for Schmidt, because over there the economy works by itself. Therefore, not having great hopes also means not having great disappointments. I meet

many people from the opposition and see their complex biographies, marked by still new hopes. These oppositionists have often changed their stripes, because in many cases they are collectors of consecutive ideological stances tinged every time with new bombast. I have managed to escape this.

[Question] Therefore, what is the purpose of your writing?

[Answer] Very simple. In 1967, I published "A View from the Top," at Giedroyc's [publishing house] in Paris. I wrote the book under the pen name Tomasz Stalinski. The book gained much notoriety, and immediately some people wanted to know who this Stalinski really is. At the time, Dr. Widy-Wirski, former minister of propaganda in 1947, and subsequently deputy minister of health, was alive. Before the war, he was a functionary in the neo-pagan Zadruga, after the war—delegated to the Catholic Labor Party. I met him on the street one time—we were neighbors—and he told me that representatives of some authorities approached him for his opinion of a professional intellectual on who could have written "A View from the Top." He did not know, but when my

name was mentioned, he retorted to the interested comrades without thinking: "Kisielewski? No way. He would have written with fury, ironically and madly. This, on the other hand, is quiet and objective, simply a snapshot." What interests me in my writing is exactly this snapshot of the epoch, and not the pathos dear to the Polish heart. To be a photographer, and nothing else—this is my aspiration.

[Question] Only photography?

[Answer] This is no small aspiration, because I want to collect these photographs quietly—one unchanged attitude unaffected by successive junctures, neither ascents and descents, nor hopes or lack thereof. The helplessness of judgment in the face of the irrationality of human history is and will remain this attitude. Could it be that it is not irrationality at all, but secret super-realism hidden from the human ability to understand? Who can tell, since the entirety of it is not understood?

9761

## INTRABLOC

### Bloc 'Dollar Stores': Economic Benefits, Public Opinion Considered

#### Bulgaria: High Prices Dominate

26000024 Warsaw *POLITYKA-EKSPORT-IMPORT*  
(Supplement) No 29, 16 Jul 88 p 19

[Article by Wlodzimierz Zrobik: "Korekom Dictates Prices"]

[Text] The Korekom State Enterprise is the Bulgarian counterpart of the Polish Pewex. It was set up more than 15 years ago, and initially catered mainly to foreign tourists. As time went by, and as the number of Bulgarian citizens working abroad and officially receiving hard currency as payment increased, Korekom enabled them to buy sought-after goods unavailable in the Bulgarian domestic market. At that time, the assortment offered was expanded by importing items sought by local citizens rather than Western tourists. However, only those persons who could document the origin of the money were allowed to make purchases. At first, this requirement was not enforced too vigorously, especially for smaller purchases, though it was no secret to anyone that a majority of Bulgarian clients of Korekom purchase hard currency illegally. It has been and continues to be bought from Western tourists, who gladly participate in such dealings, because the black market rate exceeds the official by a factor of two, or even three.

Under these circumstances, a hard-currency black market sprang up, despite the ban, still in effect in Bulgaria, not only to use, but even to hold foreign currency, if the source of origin is not documented.

In 1986, in an attempt to dampen this phenomenon, the Council of Ministers issued an executive order introducing two categories of Korekom shops—for foreigners and for Bulgarians. The road to Korekom was blocked for all those who procured money in an illegal manner. This brought about a decline in the interest of Bulgarian citizens in purchasing "greenbacks." The group of Bulgarian scalpers shrank appreciably. The black market, however, did not disappear. The machinery of transactions remained in motion; however, local scalpers were replaced by foreign traders, among whom Polish specialists on dealing in illegal hard currency were prominent. They bought dollars and West German marks in order to take them abroad rather than spend them in Korekom shops. Writing about this phenomenon, the Sofia weekly *STURSHEL* stated that, assuming the arrival in Bulgaria of about 500,000 such professionals a year and the export by every one of them of \$100 to \$200, the state loses this way \$50 million to \$100 million. This calculation appears to be greatly exaggerated; however, the export of hard currency from Bulgaria is definitely up.

The restrictions mentioned have brought about a marked decline in turnover of Korekom shops. With a view to halting the troubling decline in income, they simply ceased enforcing the requirement to document the money, though the previously issued orders remain in force.

At present, practically any holder of foreign currency may make purchases under \$200 to \$300 in Bulgaria. However, this is not possible for larger transactions, e.g. buying a car, video equipment, a TV set, furniture and other such expensive items, unavailable or very hard to get in the Bulgarian market.

As far as prices are concerned, Korekom shops are not among the cheap ones. Compared to our Pewex, food is about 30 to 40 percent more expensive. A kilogram of the most inexpensive coffee goes for \$10, and 100 grams of tea—for \$5 (in Pewex, an identical package costs \$3 to \$3.50). The selection of various condiments, sweets, juices, canned fish and meat is more modest and more expensive. The cheapest cognac or whiskey cost \$10 at a minimum, a bottle of champagne—\$18. Bulgarian alcoholic beverages are less expensive, but seldom available on Korekom shelves—a bottle of wine for \$1.5, mastika or rakija, popular here for the same price (in general-access shops, rakija costs 4 leva).

Clothing departments offer a limited range of items: not-so-good quality jeans at \$30—\$40, ladies' blouses for about \$20, dresses for \$50—\$60, footwear at \$25 and up. A jacket from pieces of light fox fur costs \$600, a Bulgarian sheepskin coat for ladies—\$220 (sometimes available in the shops for 800 leva).

Appliances are also expensive. A VCR which costs \$300 to \$400 in the West is offered at Korekom for \$700. One may also buy furniture, e.g. a living room set (a sofa and armchairs), similar to those found in the shops of Warsaw (where it costs about 350,000 [zlotys]). In Sofia, it costs \$1,400.

Despite the high prices, Korekom finds customers among those who take up work outside the country. It does not make sense for Bulgarians working abroad to bring with them goods in short supply in their country purchased with the money saved, because they must pay a very high customs duty. Only items with a total value of under 1,500 leva at retail are exempt from customs duty. This is not a lot—a cassette recorder costs exactly that much. A high customs duty has to be paid for everything that does not fit under the above limit, e.g. 300 leva for a color TV, 340 leva for a cassette recorder, 1,000 leva for a VCR, 500 leva for a piano, and for a passenger car—200 percent of its black market value in the country.

These customs duties are favorable for Korekom, which, being a monopoly, can dictate high prices.

There are no articles in the Bulgarian press critical of the existence of shops for the privileged ones, i.e. those who officially own hard currency. Only recently did the weekly POGLED, writing about Korekom, suggest that it be obligated to purchase foreign goods in short supply with a share of the profit generated, and earmark them for sales against the general-use currency, or the lev. This suggestion by POGLED assumes that the prices for these goods will be high, approximating black-market.

Compared to Pewex, the chain of Bulgarian Korekoms is considerably smaller. There are only a few of them in Sofia. The decor and the quality of service are less than impressive. The awareness that documentation for the origin of the hard currency can be demanded at any time permits the salesgirls to behave contemptuously. The principle is not to give change, rounding up the receipt to the whole dollar, certainly, in disfavor of the customers, most of whom procure hard currency in the black market, paying at present 5 to 6 leva for \$1.

**CSSR: Tuzex Growth Described**  
26000024 Warsaw *POLITYKA-EKSPORT-IMPORT*  
(Supplement) No 29, 16 Jul 88 p 19

[Article by Wojciech Wasilewski: "Tuzex Is Better Than Jablonex"]

[Text] Lately, Tuzex has not had good press in Czechoslovakia. The criticism concerns the foundations of activities by this company, which last year embarked on its fourth decade of operations. Mainly it is pointed out that Tuzex somehow facilitates demoralization, hard-currency trade, the black market for dollars. Incidentally, a feature movie called "Bony a Klid" ("Vouchers and Quiet"), which shows the arrangements prevailing in the world of illegal trade, is enjoying great success. This success, mainly among young people, is not only due to the fact that the movie has been released with some difficulty, to put it mildly...

In light of this, how can we define the role of Tuzex in the Czechoslovak economic system? The Foreign Trade Enterprise Tuzex has proved to be an extremely dynamic company. Its hard-currency turnover has grown about a dozen times over 30 years. At present, it has 154 shops and warehouses in all the major cities of the republic. In increasingly many locations, these are large shops with numerous specialized departments rather than small stands in hotels.

It is estimated that about 12 million customers a year visit Tuzex shops, which is not bad at all, given the population of Czechoslovakia. Last year, these customers made purchases worth about \$230 million, or almost 1.2 billion of Tuzex korunas (vouchers).

The goal of setting up Tuzex was to enrich and add variety to the selection on the market, as well as to encourage citizens to accumulate hard currency. Responding to the question of who Tuzex customers

used to be and are at present, deputy director for commerce Ferdinand Krajcir says that they are primarily Czechoslovak citizens, mainly those employed outside the country.

What is bought most frequently? In the opinion of those in the know, the selection keeps getting better year after year. About 70 percent of all goods come from capitalist countries. Imports from the FRG (about 20 percent) traditionally dominate in this group, followed by imports from Austria, Japan, Italy, and Great Britain. A sizable share of goods comes from socialist countries and developing states. Recently, Chinese products have appeared in considerable quantities.

More or less one-third of the selection consists of items produced domestically, mainly cars, electronics and glass and porcelain. These are, certainly, highest quality items, hard to find or altogether unavailable in the regular network of stores.

Tuzex purchases most of its merchandise through various foreign trade organizations. The enterprise imports close to a quarter of all the merchandise itself, filling special orders by customers.

It should be recalled in this instance that Tuzex operations influence, to a degree, the activation of domestic production for exports. In the opinion of experts on the subject, this influence could be greater still. After all, domestic producers sell their goods at Tuzex for hard currency, in other words, they are paid the same as in the case of conventional exports. In its turn, Tuzex, by placing orders for specific modern and sought-after goods, somehow forces their continuous modernization. If high quality specifications cannot be met, goods will be ordered abroad.

Tuzex is doing well; its shops are always full. People who have vouchers (they can be purchased for 5 to 6 korunas per voucher [unit] from those who made them abroad) or hard currency await primarily the delivery of sought-after electronic equipment. Video equipment, tape recorders and computers are in the greatest demand.

I have already mentioned that a voucher [unit] may be purchased for 5 to 6 korunas in transactions between citizens. In turn, \$1 is the equivalent of 5.1 voucher [units] at present. The above ratios suggest that in the black market the price of the dollar should not exceed 30 korunas. Meanwhile, as far as I could ascertain, it is 32 or 33 korunas now. This is an excessive rate, which only the scalpers rejoice over. As the statements by, say, representatives of the Prague militia suggest, the scalpers are organized in groups which have their own turfs. Every so often the press reports on the confiscation of assets of hard-currency traders. Also, there are frequent cases of passing counterfeit dollars, West German marks or Tuzex vouchers. From time to time, newspapers report on the prosecution of dishonest Tuzex employees.

It should be noted in the margins of these remarks that the excessive black market rate is undoubtedly also the consequence of opening hard-currency accounts, which, beginning this year, allow the use of funds so accumulated (at least US\$500) for multiple trips abroad.

Returning to the opinion, which has been persistently circulating lately, that Tuzex ought to be closed down as a company beneath the dignity of a socialist society, we should say right away that this is unlikely. After all, Tuzex is responsible for 5 percent of the Czechoslovak foreign trade. The company secures more or less the same amount of currency as two good-size organizations, Skloexport (Czech glass) and Jablonex (jewellery), combined. Nobody would get rid of a hen laying golden eggs.

#### USSR: More Limited Transactions

26000024 Warsaw POLITYKA-EKSPORT-IMPORT  
(Supplement) No 29, 16 Jul 88 p 19

[Article by Henryk Chadzynski: "A Farewell to Bieriozka"]

[Text] Towards the end of last year, crowds of Moscow customers mobbed the shops of Beriozka, the counterpart of our Pewex. Nothing foreshadowed the forthcoming shock, despite the existence of this institution having been controversial for years.

Apart from the considerations of the [political] system, speculation flourishing around the hard-currency shops prompted criticism. The illegal trade in certificates given to citizens in exchange for hard currency and in the merchandise purchased in Beriozka itself went on, frequently right at the doorstep. Such practices flourished almost in the open, before the eyes of passers-by, and frequently the militia. The latter had an obvious difficulty in proving the crimes and prosecuting the speculators.

Worse yet, a large, superbly organized mafia began to operate around 10 Beriozka shops. Territorial distribution of turfs quickly came about. "Godfathers" from 9 geographical areas, among others, Baku, the Caucasus, Odessa and Khar'kov, assumed "sponsorship" of each of the shops. Everyone wanting to get a piece of the action had to give the sponsors a large cut. Along with the speculators, small swindlers appeared, who thrived on the mistakes and fear of partners bringing themselves up to participate in illegal dealings. On occasion, threatening a swindler with the militia after discovering the fraud ended in tragedy. One female customer lost an eye for only an attempt to use the uniformed authorities as a scare. Others were usually more fortunate.

In the shops themselves, criminal groups also felt at home. The staff, fearful of reprisals, preferred not to interfere with the dangerous gangs. The director of a Beriozka shop was "punished" by the theft of 12 sheepskin coats for asking out loud in the shop that people not be importuned. The staff made up the cost of the shortfall with their own money, fearing revenge if the

crime were reported to the militia. There were cases of cooperation between the staff and the mafia. Between 15 and 20 Beriozka staffers a year had a brush with the law.

Now we can actually use the past tense writing about it. The trade at the Beriozka shops in the old format is slowly coming to an end. In late January of this year, Soviet authorities announced a decision on eliminating the institution of hard-currency checks effective 1 July and the introduction of non-cash sales at Beriozka, with entries made in the checkbooks issued to Soviet citizens who work abroad and deposit their savings in the commerce bank of the USSR. In principle, transactions will be restricted to assets such as cars and apartments.

After the news of the impending change in the system of settlements came, the Beriozka shops were mobbed even worse. The checks could be used up before 1 July or exchanged into rubles. This applied even to the lucky ones, who could prove that their certificates come from hard-currency payments made abroad, due to which they were entitled to open an account and use the currency on a trip abroad. Panic among the check owners was the reason for the run on the shops. Sought-after goods were snapped up. The situation with new deliveries was mixed.

Most shops will change their line of business and owner. They will be transferred to the local [counterpart of] the Jubiler or other trade companies. Only hotel stands for sales of merchandise to tourists for hard currency "cash" will remain, plus the stores charged with hard-currency services to foreign legations in Moscow.

Certainly, the liquidation of a chain of dollar stores, modest to begin with, does not mean that the problem has gone away. The Beriozka shops were opened in order to prompt people working abroad and returning to the country to bring hard currency. Apparently, this has worked out. However, many people bought houses or apartments, circumventing Beriozka, to which a more favorable black-market rate of the checks was conducive. It paid to sell them illegally. The demand for checks kept going up. At present, a growth of prices in second-hand goods shops is being registered, especially for electronic equipment. It is obvious that the market responded correctly to the decisions made.

The question now is whether people will start importing goods rather than do the same with currency. We will see. The economy cannot stand a vacuum. The gap will definitely be filled one way or the other. Some economists suggest that a higher exchange rate of hard currencies to the ruble, approximating black-market quotations, be introduced for individuals returning from abroad. There also are suggestions to legalize reverse transactions, likewise carried out at correspondingly high exchange rates. Also, it is hard to predict whether

the farewell to Beriozka is final. Of course, the bonanza for speculators has come to an end, but so also has a profitable operation for the state.

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## CZECHOSLOVAKIA

### Formation of State Enterprises Approved

**Comments on Formation of State Enterprises**  
24000119 Prague HOSPODARSKE NOVINY in Czech  
1 Jul 88 p 1

[Article by Eng Jaromir Matejka, deputy minister-secretary of the Governmental Committee for Issues of Planned Management of the National Economy: "Founding of State Enterprises"]

[Text] Early this year the presidium of the CPCZ Central Committee discussed and the Government of the CSSR adopted the Principles and Procedure for the Organizational Restructuring of Industrial, Technological, R&D and Turnover Bases of the National Economy into State Enterprises (decision No 40/1988). In accordance with the accepted principles and chronology of actions, the Government of the CSSR approved the implementation of the first stage of organizational restructuring by Decree No. 178 on 20 June 1988. In particular, it expressed its agreement with establishment of 95 state enterprises under the authority of federal central agencies as of 1 July 1988 and acknowledged that 317 state enterprises (listed on page 4 of this issue of HOSPODARSKE NOVINY) will be established under the authority of the CSR and SSR Governments on that date.

Stage 1 of the restructuring affects roughly one-third of existing industries of the enterprise type, i.e., 1,714 organizations (with the exclusion of organizations administered by national committees); thus, 412 new state enterprises will be formed from about 650 organizations of a predominantly enterprise type, particularly, in the branches of machine and electrical engineering, fuels and power engineering, consumer industries, construction, and state farms. On the contrary, relatively few state enterprises are being formed at this stage in metallurgy, chemistry, production of construction materials, trade, transportation, communications, food industry, and especially in organizations managed by national committees. Organizations in those branches will be gradually transformed into state enterprises in the future stages, i.e., as of 1 January, 1 April, and 1 June, 1989.

The transformation of our industries into state enterprises represents an important factor in the restructuring of the economic mechanism. In accordance with the law on state enterprise, its purpose is to create opportunities

for a high degree of independence of industrial organizations, their full khozraschet, efficiency, self-financing, and socialist self-management.

Although, recent accomplishments in the transformation of the organizational structures have significantly contributed to the development of initiative in the enterprise sphere, and provided considerable positive experience, they were not able to avoid problems. The CSSR Government noted that during the presentation and discussions of proposals for the formation of state enterprises and during processing of the projects for the organizational restructuring, the principles and procedures stipulated by government decision No 40/1988 were not always adhered to. Therefore, the government emphasized that those principles and procedures—including the recently adopted amendment—must be complied with and the democratic principles established for presentation of proposals for formation of the state enterprises and their discussion with agencies and organizations submitting the proposals observed.

The CSSR Government decision includes an amendment to previously adopted principles and procedures for the organizational restructuring of the enterprise base (it is presented on this page of HOSPODARSKE NOVINY), which specifies additional organizational procedures and a timetable for organizational restructuring, and offers detailed instructions about the approach to the assessment of the enterprises' capacity to fulfill the 5-year plan and become self-financing. Furthermore, it underscores that the proposals for new state enterprises will be evaluated with the participation of all parties submitting such proposals (enterprises, plants, VHJ [economic production units] general directorates and the responsible central agencies. It follows then, that at the next stage, the proposals by enterprises, commissions of enterprise managers or other parties will be discussed and processed jointly with comprehensive projects prepared (or scheduled for further processing) by the ministries and other central agencies.

Organizations which have thus far operated according to the principles of the experiment and which will be transformed into state enterprises as of 1 July 1988 will continue the experiment. However, a major part of state enterprises is being formed from organizations that were not participating in the experiment—in other words, they operated in accordance with the system in effect until now. Enterprise financial management will comply with the Procedure for Financial Management in State Enterprises Not Participating in the Experiment effective 1 July 1988 (text appears on page 5 of this issue of HOSPODARSKE NOVINY). Its purpose is to create, even before 1 January 1991, the broadest opportunities provided for by the law on state enterprise, above all, in the system of creation and distribution of profits and other assets and in the enterprise fund formation.

The method of state enterprises founding, as carried out in the period stipulated to 1 July 1989, will provide only the necessary initial conditions for the rationalization of

organization structures in our production, technology, research, and financial base. This rationalization program will then continue together with structural changes, with the technological development, etc., and, primarily, with integration of our organizations in the international division of labor; above all, in joint ventures with organizations of the CEMA states. By the same token, this process will be accompanied by the application of various forms of association of the new state enterprises.

**State Enterprises Formed on 1 Jul 88 Listed**  
*24000119 Prague HOSPODARSKE NOVINY in Czech*  
*1 Jul 88 p 4*

[Text]

**Federal Ministry of Metallurgy, Machine Engineering, and Electrical Engineering**

- Slovenske magnezitove zavody [Slovak Magnesite Plants], Kosice
- Zelezarny a dratovny [Iron and Wire Mills], Bohumin
- Zelezarny [Iron Works], Prostějov
- Prumysl kovoveho odpadu [Scrap Iron Industry], Kladno
- Pramet (including Vyzkumny ustav praskove metallurgie [Research Institute for Powder Metallurgy]), Sumpark
- Prerovske strojirny [Prerov Machine Plants], Prerov
- CKD [Ceskomoravska-Kolben-Danek Heavy Machine Plants], Prague
- Frigera, Kolin
- Vihorlat, Snina
- Cs. vagonky [Czechoslovak Railroad Car Plants], Poprad
- Kovoprojekta, Prague
- Kovoprojekta, Brno
- Hutni projekt [Metallurgical Plant], Prague
- Hutni projekt, Bratislava
- Hutni projekt, Kosice
- Inorga, Prague
- Aero, Prague
- Ceska Zbrojovka [Czech Arms Manufacturer], Uhersky Broad
- Tatra, Koprivnice
- AZNP [Automobile Plants, National Enterprise], Mlada Boleslav
- Liaz [Liberec Automobile Plants], Jablonec nad Nisou
- Prazska akumulatorka [Prague Battery Plants], Mlada Boleslav
- Metalurgicke zavody [Metallurgical Plants], Tynec nad Sazavou
- Menet, Pruhoonice
- Pikaz, Prague
- Mototechna, Prague
- Ustav pro Vyzkum motorvych vozidel [Motor Vehicle Research Institute], Prague
- Minerva, Boskovic
- Branecke zelezarny [Branec Iron Plants], Hradec nad Moravici
- Elektro-Praga, Hlinsko
- Eska, Cheb
- Igla, Ceske Budejovice
- Koh-i-noor, Bilovec
- Koh-i-noor, Decin
- Koh-i-noor, Prague
- Kovopol, Police nad Metuji
- Diu, Jevicko
- Lisovny novych hmot [Plastics Extrusion Plants], Vrbno pod Pradedem
- Mikulasovicky kovoprumsyl [Mikulasovice Metallworks], Mikulasovice
- Orlicke strojirny [Orlice Machine Tools], Rychnov nad Kneznou
- Rostex, Vyskov
- Sandrik, Hodrusa
- Statna mincovna [State Mint], Kremnica
- Tokoz, Zdar nad Sazavou
- Tovarny detskych vozidel [Manufacture of Vehicles for Children], Melnik
- Velamos, Sobotin
- Zavody umelecke kovovyroby [Metal Art Manufacture], Prague
- Plastimat, Liberec
- Strojplast, Tachov
- Vyzkumny ustav strojirenskeho spotrebniho zbozi [Research Institute for Consumer Goods], Prague
- Sfinx, Ceske Budejovice
- Naradi [Tools], Prague
- Spojene zavody na vyrobu karborunda a elektritu [Associated Production of Carborundum and Electricity], Benatky nad Jizerou
- Tona, Pecky
- Kovofinis, Ledec nad Sazavou
- VUKOV-Vyzkumny ustav kovopriemyslu [Metal Industry Research Institute], Presov
- Zavody na vyrobu lozisk [Ball-Bearings Plant], Povazska Bystrica
- Zavody tazkeho strojarstva [Heavy Machinery Plants], Martin
- Stavostroj, Nove Mesto nad Metuji
- Desta, Decin
- Strojsvit, Krnov
- Projekta, Prague
- Kovoprojekta, Bratislava
- Technomat, Prague
- SAO-Podnik automobiloveho opravarenstvi a ochrany zivotniho prostredi [Enterprise for Automobile Repair and Environmental Protection], Prague
- Orgaprojekt, Prague
- Konstrukta, Trencin
- Zavody silnoprude elektrotechniky [High-Voltage Electrical Engineering Plants], Prague
- BEZ [Bratislava Electrical Engineering Plants], Bratislava
- ZEZ, Prague
- EPL [Electric Power Plants of Louny], Louny
- Zbrojovka [Arms Manufacture], Brno
- Dias, Trutnov
- Tesla, Liberec



- Laboratorni pristroje [Laboratory Instruments], Prague
- Labora, Prague
- Tesla, Holesovice
- Bateria, Slany
- VUMA [Mechanization and Automation Research Institute], Nove Mesto nad Vahom
- Tesla Eltos, Prague
- Tesla VUST [Research Institute for Communications Technology], Prague
- Vyzkymny ustav silnoproute elektrotechniky [Research Institute for High-Voltage Electrical Engineering], Prague 9-Bechovice
- Chepos, Brno (not including Buzuluk national enterprise in Komarov and Chodos national enterprise in Chodov)
- Skoda, Pilsen (not including CKD Dukla communal enterprise in Prague)
- Sigma, Olomouc (not including Sigma national enterprise in Prague)
- Avia, Prague
- Elektromont, Prague
- Tesla-Elektronicke soucastky [Electronic Components], Roznov

#### Federal Ministry of Fuels and Power Engineering

- Kamenouhelne doly [Anthracite Mines], Kladno
- Severoceske hnedomhelne doly [North Bohemia Lignite Mines], Most
- Hnedomhelne doly a briketarny [Lignite Mines and Briquette Plants], Sokolov
- Ceskoslovensky uranovy prumysl [Czechoslovak Uranium Industry], Pribram
- Vyzkumny ustav energeticky [Power Engineering Research Institute], Prague
- Ceske Energeticke zavody [Czech Power Engineering Plants], Prague
- Slevenske energeticke podniky [Slovak Power Engineering Works], Bratislava

#### CSR Ministry of Industry

- Technoplyn, Prague
- Lachema, Brno
- Obchodni tiskarny [Business Printing Plants], Kolin
- Jitka, Jindrichuv Hradec
- Strojtex, Dvur Kralove nad Labem
- Hedva, Moravska Trebova
- Slezan, Frydek-Mistek
- Juta, Dvur kralove nad Labem
- Fezko, Strakonice
- Partex, Nova Vcelnice
- Textilana, Liberec
- Bytex, Vratislavice
- Tonak, Novy Jicin
- Loana, Roznov pod Radhostem
- Tylex, Letovice
- Severka, Cvikov
- Triola, Prague
- Kara, Trutnov

- Kozak, Klatovy
- Sport, Prague
- Spojene kartacovny [United Brush Manufacture], Pelhrimov
- Kavalier, Sazava
- Vertex, Litomysl
- Jablonecka bizuterie [Jablonec Costume Jewelry], Jablonec nad Nisou
- Crystalex, Novy Bor
- Moser, Karlovy Vary
- Karlovarsky procelan [Carlsbad Porcelain Factory], Karlovy Vary
- Keramicke zavody [Ceramic Plants], Znojmo
- Rempo, Prague

#### CSR Ministry of Development and Construction

- Inzenyrske a prumyslove stavby [Engineering and Industrial Construction], Prague
- Konstruktiva, Prague
- Pozemni stavby [Civil Engineering], Pilsen
- Pozemni stavby [Civil Engineering], Karlovy Vary
- Prefa, Prestice
- Pozemni Stavby [Civil Engineering], Gottwaldov
- Pozemni stavby [Civil Engineering], Brno
- Vodohospodarske stavby [Water Economy Construction], Brno
- Teplotelna, Prague
- Stavebni izolace [Building Insulation], Prague
- Vodni stavby [Hydraulic Construction], Prague
- Armabeton, Prague
- Metrostav, Prague
- Stavby silnic a zeleznic [Road and Railway Construction], Prague
- Ingstav, Brno
- Dopravni stavby [Transportation Construction], Olomouc
- Ceskomoravske cementarny a vapenky [Czech-Moravian Concrete and Lime Plants], Brno
- Stavebni stroje [Construction Machinery Plants], Prague
- Stavokonstrukce, Prague
- Stavebni strojirenstvi [Construction Machinery Plants], Brno
- Kovona, Karvina
- Prefa, Olomouc
- Vyzkumny a vyvojovy ustav lehke prefabrikace [R&D Institute for Light Prefabricated Construction], Pilsen

#### CSR Ministry of Trade and Tourism

- Merkur, Prague
- Sprava ubytovaciho obchodu [Housing Administration for Trade], Prague
- Nabytek [Furniture], Brno
- Domov [Home], Prague
- Obchod obuvi [Footwear Trade], Gottwaldov
- Klenuty [Jewelry], Prague
- Pocetnicka a organizacni sluzba [Computer and Organization Services], Prague

- Obchodni zarizeni [Business Equipment], Prague
- Statni projektovy ustav obchody [State Business Planning Institute], Brno

#### CSR Ministry of Agriculture and Food

##### State Farms:

Netvorice, Benesov, Dolni Kralovice, Vlasim, Votice, Lochovice, Kladno, Zlonice, Kolin, Cesky Brod, Caslav, Uhliрске Janovice, Melnik, Vysoka, Veltrusy, Katusice, Klicany, Ricany, Prague-West, Sedlcany, Dobris, Tochovice, Krivoklat, Jesenice, Nova Bystrice, Trebon, Agro-kombinat in Cheb, Karlovy Vary, Domazlice, Desenice, Suscie, Prestice, Krimice, Ulice, Unesov, Rokycany, Zihle, Most, Usti nad Labem, Duba, Ceska Kamenice, Rumburk, Hradek nad Nisou, Litomerice, Zakupy, Liberec, Lovosice, roudnice nad Labem, Snedovice, Libceves, Liborice, Lubenec, Podborany, Postoloprty, Zatec, Vernerice, Frydlant v Cechach, Chotebor, Orlické hory [Orlice Mountains], Moravska Trebova, Smirice, Chlumec nad Cidlinou, Pardubicko, Broumov, Hlinsko, Jicin, Krkonose, Hejnice, Trutnov, Lanov, Ceska Trebova, Kraliky, Lanskroun, Brno-Exurbia, Kromeriz, Konice, Lesna, Znojmo, Hodonin, Veseli na Morave, SP Uhersky Brod, Trest, Bruntal, Bilovec, Karvina, Hnojnik, Sternberk, Hlucin, Vitkov, Hanusovice, Stare Mesto pod Sneznikem, Postrelmov, Stity, Sumperk, Zulova.

##### State Enterprises:

- Strojbal [Machine Packaging], Hradec Kralove
- Cokoladovny [Chocolate Factory], Prague
- Mrazirny [Freezing Plants], Prague
- Skrobarny [Starch Plants], Havlickuv Brod
- Tabakovy prumysl [Tobacco Industry], Kutna Hora
- Chmelarstvi [Hops Production], Zatec
- Potravinoprojekt [Food Industry], Prague
- Statni rybarstvi [State Fisheries], Ceske Budejovice
- Raselina [Peat Production, Sobeslav

#### CSR Ministry of the Interior and Environment

- ROMO, Fulnek

#### Czech Geological Bureau

- Geoindustria, Prague
- UNIGEO, Ostrava
- Stavebni geologie [Construction Geology], Prague
- Geotest, Brno
- Geofyzika [Geophysics], Brno

#### Kraj National Committee, National Planning Committee

- Silnice [Highways], Brno
- Pragocar, Prague
- Cs. automobilova doprava [Czechoslovak Automobile Transportation], Prague
- Prazsky projektovy ustav [Prague Design Institute], Prague
- Statni ustav pro rekonstrukci pamatkovych objektu

- [State Institute for Landmark Restoration], Prague
- Projektovy ustav dopravnich a inzenyrskych staveb [Design Institute for Transportation and Engineering Constructions], Prague
- Interprojekt, Prague
- Projektovy ustav hlavniho mesta Prahy [Capital City of Prague Design Institute], Prague
- Montazni zavody [Assembly Plants], Liberec
- Cs. automobilove opravny [Czechoslovak Automobile Repair Shops], Brno
- Stavoprojekt, Brno

#### SSR Ministry of Industry

- Chempik, Bratislava
- Strojmont, Kosice
- Slovenska polygrafia [Slovak Polygraphy], Bratislava
- Tlaciarne Slovenskeho narodneho povstania [Slovak National Uprising Printing Plants], Martin
- Rempo, Bratislava
- Zavody 29. augusta [29th of August Plants], Partizanske
- JAS, Bardejov
- Koziarske zavody [Leather Factories], Liptovsky Mikulas
- Kozeluzne [Tanneries], Bosany
- NAPO-nakupna a predajna organizacia [Purchasing and Marketing Organization], Partizanske
- Vyskumnoinziniersky podnik koziarskehoj priemyslu [Research and Engineering Institute for Leather Industry], Partizanske
- Gumarne 1. maja [First of May Rubber Factories], Puchov
- Odevne zavody kpt. Nalepku [Captain Nalepka Garment Factories], Presov
- Tatrasvit, Svit

#### SSR Ministry of Development and Construction

- Stavebne zavody [Construction Works], Bratislava
- Doprastav, Bratislava
- Vodohospodarske stavby [Hydraulic Construction], Bratislava
- Priemstav, Bratislava
- Termostav, Bratislava
- Cementarne a vapenky [Concrete and Lime Plants], Trencin
- Keramicke zavody [Ceramic Plants], Kosice
- Strojstav, Bratislava
- Montostroj, Bratislava
- Ocelove konstrukcie [Steel Constructions], Zilina
- Keramoprojekt, Trencin
- Vyskumno-vyvojovy ustav mechanizacie v stavebnictve [R&D Institute for Construction Mechanization], Bratislava
- Statny vyskumny projektovy a typizacny ustav [State Research Institute for Design and Standardization], Bratislava
- Statny institut urbanizmu a uzemneho planovania [State Institute for Urbanization and Territorial Planning], Bratislava

**SSR Ministry of Trade and Tourism**

- Erpo-reklamny podnik [Advertising Enterprise], Bratislava
- Klenoty [Jewelry], Bratislava
- Nabytok [Furniture], Zilina
- Obuv [Footwear], Partizanske
- Javorina, Liptovsky Mikulas

**SSR Ministry of Agriculture and Food**

*State Farms:*

Malacky, Stupava,, Hubice, Gabčíkovo, Slovenske Pole-Kralov Brod, Komarno, Plavecke Podhradie, Horna Suca, Dunajsky Klatov, Galanta, Trnovec nad Vahom, Bajc, Dulov Dvor, Kravany nad Dunajom, Sahy, Zeliezovce, Mikulas, Sturovo, Sastin-Straze, Velke Levare, Banovce nad Bebravou, Partizanske, Nove Mesto nad Vahom, Hlohovec, Cadca, Namestovo, Liptovsky Mikulas, Filakovo, Podbrezova-Predjna, Zavadka, Lovinobana, Nova Bana, Martin, Lieskov, Velky Krtis, Banska Stiavnica, Ziar nad Hronom, Kremnica, Rajec, Zemianske Kostolany, Handlova, Nitrianske Pravno, Nitrianske Rudno, Safarikovo, Stakcin, Moldava nad Bodvou, Lipany, Svidnik, Stropkov, Ubla, Ulic, Kosice, Spisska Bela, Roznava, Jelsava, Levoca, Spisska Nova Ves, Kralovsky Chlmec, Velaty, Trebisov.

*State Enterprises:*

- Milex, Bratislava
- Stredoslovenske mliekarne [Central Slovakia Dairy Farms], Zvolen
- Vychodoslovenske Mliekarne [East Slovakia Dairy Farms], Kosice
- Statny cukrovarsky podnik [State Sugar Factories], Trnava
- Cukrovinky [Confections], Bratislava
- Potravinarsky kombinat [Food Industry Kombinat], Trebisov
- Statny hydinarsky podnik [State Poultry Enterprise], Trnava
- Statny hydinarsky podnik [State Poultry Enterprise], Kosice
- Statny hydinarsky podnik [State Poultry Enterprise], Zvolen
- Statne rybarstvo [State Fisheries], Stupava
- Hydinarsky statny majetok [State Poultry Farm], Bratislava
- Hydinarsky statny majetok [State Poultry Farm], Presov
- Statny vyskumno-vyrobný hydinarsky podnik [State Enterprise for Poultry Research and Production], Bratislava
- Palma, Bratislava
- Vinarske zavody [Wine Production], Bratislava
- Komplexny ustav vinohradnicky a vinarsky [Institute for Comprehensive Viniculture], Bratislava
- Ceskoslovensky tabakovy priemysel [Czechoslovak Tobacco Industry], Bratislava

- Polnohospodarske stavby [Agricultural Construction], Bratislava
- Hydromelioracie [Irrigation Works], Nitra
- Polnohospodarske stavby [Agricultural Construction], Zvolen
- Polnohospodarske stavby [Agricultural Construction], Presov
- Polnohospodarske stavby [Agricultural Construction], Dunajska Streda
- Inziniersko-technicka organizacia pre polnohospodarske stavby [Engineering and Technological Organization for Agricultural Construction], Bratislava
- Polnohospodarsky projektovy ustav [Agricultural Planning Institute], Bratislava
- Potravinoprojekt [Food Industry Planning], Bratislava
- Raselinove zavody [Peat Plants], Bratislava
- Vyskumno-vyvojovy podnik mliekarensky [Dairy R&D Enterprise], Bratislava

**SSR Ministry of the Interior and Environment**

- KOVO, Belusa

**SSR Ministry of Education, Youth, and Physical Education**

- IPOSS statny projektovo-inziniersky podnik [State Planning and Engineering Enterprise], Bratislava

**Slovak Geological Bureau**

- Inziniersko-geologicky a hydrogeologicky preskum [Geological Engineering and Hydrogeological Survey], Zilina
- Geologicky prieskum [Geological Survey], Spisska Nova Ves

**Kraj National Committee, NVB**

- OSP [District Construction Enterprise], Trencin
- Mestsky stavebny podnik [Municipal Construction Enterprise], Banska Bystrica
- OSP [District Construction Enterprise], Martin
- OSP, Prievidza
- OSP, Rimavska Sobota
- Mestsky stavebny podnik [Municipal Construction Enterprises] Zilina
- Zberne suroviny [Scrap material for Recycling], Zilina
- Stavoprojekt, Zilina
- OSP [District Construction Enterprise], Spisska Nova Ves
- Stavoprojekt, Presov

**State Enterprises Not Yet Participating in  
Experiment; Procedure Given**

24000119 Prague HOSPODARSKE NOVINY in Czech  
1 Jul 88 p 5

[Supplement to CSSR Government Decision No 40/1988, Principles and Procedures for Organizational Restructuring of the Production, Technological, R&D and Financial Base of the National Economy into State Enterprises, Approved by Decision of the CSSR Government No 178/1988]

[Text] The following additional principles must be observed in the founding of state enterprises:

1. The principle that state enterprises must be formed mainly from the existing organizations of the enterprise type (i.e., national enterprise, sectoral enterprises, concern enterprises), greater emphasis must be placed on granting them independence, and that those manufacturers specializing in spare parts, modules, or components, and organizations engaged in specialized operations or offering specialized production and nonproduction services to a broad consumer base (whose major markets are not the existing VHJ's [economic production units] or enterprises) and should be the ones separated from large economic units. Therefore, opportunities for the formation of state enterprises from the existing enterprise-type organizations but also from the spun-off or locally isolated factories or other places of work must be pursued to a greater extent.

By the same token, greater advantage should be taken of this independence by economic units engaged in production, trade, construction, production and nonproduction type services, etc., with territorial structures and which have markets predominantly in a particular territory (granting of independence to enterprises at the okres and regional levels).

2. When state enterprises are formed by mergers of the existing enterprise-type organizations (national enterprises, concern enterprises, special-purpose organization, research institutes, etc.), the kombinat principles of organization should primarily be applied. This concerns in particular organically interrelated production and R&D programs, interrelated research, design, production, domestic and foreign trade. At the same time, the close structural relations of the merging economic units must be consistently demonstrated. Thus, state enterprises must not be formed by mechanical application of the sectoral principle or organization on the basis of existing VHJ's or their substantial components.

3. The application of the above-mentioned procedures and principles must be aimed at economically purposeful differentiation of organizational structures in terms of production programs, technology and size of the state enterprises.

4. The capacity to fulfill the task of the Eighth 5-Year Plan must be considered also from the viewpoint of economically justified VHJ plan specifications for their enterprises, and of the tasks stemming from adjusted annual plans. However, if the VHJ itself, or some of its enterprises, lacks objective preconditions for the fulfillment of the current 5-year plan, it should not be regarded as an obstacle to the formation of a state enterprise. But such a process must include the application of the required measures and in extreme circumstances, also consolidation and cutback programs.

Therefore, if the risk that the current 5-year plan might not be fulfilled cannot be avoided even at present, when the enterprise is part of a VHJ, such a risk does not constitute a basis for rejecting the formation of a state enterprise.

The capacity for fulfilling the tasks of the Eighth 5-Year Plan must be weighed even in cases when the state enterprise is formed on the basis of the existing VHJ or its substantial components.

5. On principle, the self-financing potential of new state enterprises must be judged with a view of the situation as it will be by 1 January 1991, i.e., taking into account new payments, taxes, new prices, and new financial economic mechanisms. It must also be considered that organizations operating at deficit will be benefiting from subsidies or reduced taxes until the end of the current 5-year plan to the extent that the Eighth 5-Year Plan includes such provisions and deficit is still being covered from funds redistributed within the VHJ. But it will have to be assumed that in cases of future incompetent self-financing caused by extraordinary write offs of capital assets will be dealt with by temporary redistributions of depreciation in the Ninth 5-Year Plan.

In justifiable cases independence may be allowed to enterprises and organizations which are unable to become fully self-financing, provided that their possible affiliation with other state enterprises would result in socially undesirable redistribution processes or that it would jeopardize the development of the enterprises with which the unprofitable enterprise would be affiliated.

The self-financing capacity may be assessed even if the state enterprise is formed on the basis of an existing VHJ or its major component.

6. New state enterprises, whose operation is of local importance, will be formed under the responsibility of the councils of appropriate national committees on all levels, i.e., not only the kraj national committee but also the okres, municipal and local national committees. Simplified methods of organizations and management are to be used in the formation of these enterprises.

7. If new state enterprises are formed by mergers of existing independent organizations, it should be considered whether the organizations being terminated hold world famous registered trade marks, use designations of origin, or own trade names; in such cases, their rights must be protected and regarded as a compelling reason why such organizations should remain independent.

#### **Procedure in Stage II of Organizational Restructuring**

1. Ministry projects prepared on the basis of the decision of the CSSR Government on the Comprehensive Report on the Organizational Restructuring will be submitted by the ministers and heads of other central agencies to appropriate governments for review no later than 31 January 1989. In order to coordinate the restructuring in branches managed by the agencies of the federal government and the governments of both republics, deputy premiers of the CSSR Government and the premiers of both republics will submit the completed plans of the central agencies to the CSSR Government no later than 31 March 1989, so that the CSSR may review the formation of state enterprises no later than 31 May 1989.

2. In accordance with the submitted plans and with the objectives specified in paragraph 1 of this amendment, the Governments of the CSSR, CSR and SSR will approve, in justified cases, state enterprises which may also be established as of 1 January 1989 or 1 April 1989.

3. In the further proceedings, the task forces of the Governmental Committee for Issues of Planned Management of the National Economy will review the proposals or plans together with those who submitted them and with the pertinent agencies and organizations. In this conjunction the chairman of the Governmental Committee will determine the composition of the task forces (experts and coordinators) or reduce the number of their representatives so as to render their operation more efficient and productive. Similar methods will be applied in the procedures in both republics.

4. The Governmental Committee for Issues of Planned Management of National Economy will coordinate and control operations in stage II of the restructuring of organizational systems, review the plans of federal agencies and of central agencies of both republics, and submit summary proposals to the CSSR Government for decision about the establishment of new state enterprises.

#### **Organizational Procedures and Regulations for Operations of New State Enterprises as of 1 July 1988**

1. As of 1 July 1988 new state enterprises will operate in accordance with the regulations and directives applicable prior to 30 June 1988 (i.e., either they continue the approved experiment, or they will operate according to the generally applicable method). As of 1 July 1988, the Procedures for State Enterprises Not Participating in the Experiment will apply to financial management of enterprises not involved in the experiment.

Organizations participating in the experiment, whose organization is undergoing changes (splitting of the experimenting organization, apportioning parts of nonexperimenting organizations, or transfer of parts of experimenting organizations to a nonexperimenting one's) will reflect these changes in their planned tasks and other aspects of the experiment; proposals for adjustments will be submitted by the ministers on the Executive Commission for the Experiment which will then present summary proposals for approval by the government.

2. The property of the newly formed state enterprises consists of capital assets and investments, working capital and securities; the enterprise will enter in its founding statutes the property in the value determined in the opening balance sheet on the date of the formation of the state enterprise, according to the Directive 1.3.7, Principles and Procedure approved by Decision of the CSSR Government No 40/1988 (i.e., no later than 3 months from the date of the establishment of the state enterprise).

#### **Procedures in Financial Management of State Enterprises Not Participating in the Experiment as of 1 July 1988 (Approved by Decree of CSSR Government No 178/1988)**

1. The enterprise shall use profits in the following sequence:

a) payments on profit (taxes) and other payments to be defrayed from profits and payable to the state budget, to the budget of national committees and to state funds;

b) its planned allocation to the development fund;

c) other purposes stipulated by special regulations;

d) its basic allocation to the cultural and social services fund;

e) standard allocation to the contingency fund;

f) other allocations to the development fund, the special compensation fund in accordance with the wage control directives, to the cultural and social services fund up to the amount stipulated by special regulations, or to funds listed in paragraphs 7 and 8, according to its own decision;

g) supplemental payments to the supervisory agency for redistribution.

2. If the profits do not suffice to cover the required payments, the enterprise may supplement the distribution of profits from the contingency fund.

3. The enterprise cannot allocate more resources to funds than remain from profits (possibly supplemented from the contingency fund) once they were used pursuant to paragraph 1 letters a) and c).

4. At the end of the year the enterprise shall transfer undistributed profits to its contingency fund.

5. The enterprise shall use depreciation for allocations to the development fund after appropriate supplemental payment for redistribution to its supervisory agency.

6. Pursuant to the law on state enterprise, the enterprise shall establish the development fund, special compensation fund, cultural and social services fund, and contingency fund; it shall create and use the special compensation fund and the cultural and social services fund in the manner stipulated by special regulations.

7. The enterprise may form, create and use additional special-purpose funds related to its ventures, so long as they are derived exclusively from profit allocated to funds pursuant to paragraph 1 letter f).

8. The enterprise may form and use additional special-purpose funds derived fully or in part from sources other than profits, in the stipulated manner, if such funds were established no later than on 30 June 1988.

9. The enterprise may form the export incentive fund whose method of formation and use is determined by the Federal Ministry of Finances.

10. The enterprise shall transfer allocations from profits to funds according to its decision in the course of the year in the stipulated sequence, up to the amount of actually earned profits, after their application as per paragraph 1 letter a) and c), with the exception of basic allocations to the cultural and social services fund.

11. According to its decision, the enterprise may hold its cash assets, with the exception of the fund of cultural and social services, in a current account or in an independent deposit account in the Czechoslovak State Bank.

12. As of the day of its formation, the enterprise shall transfer the remaining investment funds and the technological development fund to the development fund.

13. The development fund is created from:

a) allocations from profits in the planned amount, and additional allocations from profits pursuant to paragraph 1 letter f);

b) allocations from depreciation pursuant to paragraph 5;

c) contributions from expenses in the amount stipulated by the directives for financing of expenditures for scientific and technological development;

d) from additional resources, namely:

da) contributions to assets pooled for the financing of investments and expenditures for the scientific and technological development;

db) proceeds from sale of capital assets and investments except proceeds from sale of capital assets and investments derived from the cultural and social services fund;

dc) transfers from the export incentive funds;

dd) in specified instances, by transfer from the cultural and social services fund;

de) subsidies from the state budget, from budgets of national committees, and from state funds;

df) allocations from centralized resources of supervisory agencies;

dg) incomes for achievements in the problem solutions in scientific and technological development;

dh) contributions from insurance companies from the loss prevention fund.

The development fund will be used as follows:

a) to finance investments and design planning, including authors' supervision pursuant to special directives;

b) to pay installments to banks for investment credits;

c) to finance expenditures for the scientific and technological development pursuant to special directives;

d) for contributions for the financing of investments and expenditures for the scientific and technological development.

e) to supplement the working capital.

15. Enterprises listed in the special directive, which finance expenditures for the scientific and technological development directly from their operational accounts, shall not use provisions of paragraph 13 letters c) and dg) and of paragraph 14 letter c); when pooling assets for the financing of the expenditures for the scientific and technological development, they shall not use the provisions of paragraph 13 letter da) and of paragraph 14 letter d).

16. With the exception of sources listed in paragraph 13 letters da), dd), de) and dh), the use of the development fund is not specifically limited to the type of resources from which the development fund is formed. However, the financing of needs payable from the development fund pursuant to paragraph 14 letters a) through d) is limited by resources created for the fund after using

them to supplement working capital; the use of the assets of the fund may be exceeded only by the amount of the received but still unpaid bank credits for the scientific and technological development.

17. The contingency fund is created by standard allocations from profits or, as the case may be, from profits pursuant to paragraph 4 and from the export incentive fund.

18. Pursuant to Article 19a paragraph 2 of CSSR Government Decree No 106/1985 of the Codex, the enterprise shall use its working capital to cover the needs listed in paragraph 1 letters a) through d), f) and g), following the sequence stipulated for use of profits.

19. In conjunction with the procedure in enterprise financial management, the following regulations shall not apply:

a) directives of Articles 11 and 13 of the Federal Ministry of Finances and of the chairman of the Czechoslovak State Bank Decree No 162/1980 of the Codex on financing replacements of capital assets, in accordance with publication No 108/1985 of the Codex;

b) directives of Article 3, Article 4 paragraph 1 letter a), Article 8 paragraph 1, 4, 5, 8 and 10, Article 9 paragraphs 1, 2, 4, 5, and 6 of the Federal Ministry of Finances, the CSR Ministry of Finances and the SSR Ministry of Finances Decree No 118/1984 of the Codex on financing noninvestment expenditures for scientific and technological development;

c) directives of Article 5, Article 16, Article 17, Article 23 paragraph 3 of the Federal Ministry of Finances, the CSR Ministry of Finances, the SSR Ministry of Finances, and the Central Trade-Union Council Decree No 21/1986 of the Codex on the cultural and social services funds.

In application of the Federal Ministry of Finances Decree No 109/1985 of the Codex on financing of current assets, all regulations on supplementation of working capital relative to the use of profits are replaced by the relation to the development fund; directives on participation by supervisory agencies in the financing of current assets shall not apply.

9004/12232

## POLAND

### Plans To Expand Polish-Soviet Trade Railway Discussed

26000637 Warsaw PRZEGLAD TECHNICZNY  
in Polish No 20, 15 May 88 pp 19-20

[Article by Wojciech Adam Pawlowski: "The Metal-Sulfur Railroad Line Is Changing"]

[Text] The cognomen of this 397 km long railroad line, the Metal-Sulfur Line (LHS), roughly defines its purpose. It is the only broad-gauge (1,520 mm) line in Poland so

far, and it was built on the basis of a 1976 agreement between Polish and Soviet governments and serves chiefly to carry iron ore from the USSR to the Katowice Steelworks and sulfur from the Tarnobrzeg Basin to the USSR. Since 1980 it has carried westward 42.6 million tons of ore and metallurgical equipment while at the same time serving to export eastward 16.2 million tons of sulfur and other freight, including coal for Romania and coke for the USSR. It turns out that the variety of the freight carried by the LHS and its carrying capacity can be still further expanded.

The LHS has its advantages as well as disadvantages. At present it serves mainly to carry ore to the Katowice Steelworks, whereas only one-third of its carrying capacity is utilized in the opposite, eastward direction. The PKP wants to improve this situation by, among other things, building at Sedziszow a station for switching Soviet freight cars onto normal-gauge track, by analogy with the facility at Kuznica Bialostocka for switching Soviet passenger coaches onto normal-gauge track. Then Soviet freight cars could be better utilized for carrying freight to other Polish regions. Ore trains could then proceed on normal-gauge track via the Konieczpol Line to Bierut Steelworks in Czestochowa. The Sedziszow facility is to be put into operation as early as 1990. At present ore for the Bierut Steelworks reaches it via Mosciska and Medyka, where it is transloaded onto Polish freight cars. Once the Sedziszow facility starts operating, the PKP can have a greater number of freight cars at its disposal for carrying other types of freight. At the same time, the ore transportation time will be shortened and substantial financial savings achieved by eliminating the transloading operations.

Plans also exist to streamline the transloading of sulfur from the mines in Grzybow and Tarnobrzeg. At present, broad-gauge freight cars are, after being unloaded and cleaned at Dabrowa Gornicza-Slawkow, dispatched to Grzybow and Wola Baranowska and thence, after being switched onto normal-gauge track, they proceed to Ranow and Jeziorek to pick up sulfur. There also the freight cars arriving from Mosciska and Medyka as well as those returning from the Lenin Steelworks are loaded and thereupon they proceed to the border station in Dorohusk and thence to the USSR. And vice versa. These intricate operations could be simplified so as to save time. Various solutions are being considered.

### A Boiler Plant Powered by... Steam Locomotives

The largest maintenance yard on the LHS is at Zamosc Bortatycze where, among other things, freight cars are inspected. This large yard with its basic facilities and a staff of approximately 1,300 persons so far lacks a central boiler plant. The capacity of that plant is envisaged at 83.74 GJ (Gcal) and its construction, commenced in 1981, was suspended. Two years later the project was resumed, but it still is in trouble, because many indispensable parts and components are "traditionally" hard to get. Thus, for the time being steam locomotives

withdrawn from regular operation are being used in lieu of the boiler plant. If everything goes well, this temporary expedient will be "placed in retirement" next year at the earliest.

The Zamosc Rolling Stock Yard operates under similarly difficult conditions. It serves to thoroughly inspect freight cars and repair them as the need arises, inclusive of their painting and interiors. This is the first unit of the PKP other than the ZNTK [Railroad Rolling Stock Repair Plants] to undertake such major operations. This year alone about 80 freight cars are to be overhauled there. Once the existing facilities are complemented, as many as 120 freight cars can be overhauled there. At the same time, it handles current repairs of freight cars (about 750 annually). This yard at present handles 80 percent of all inspection repairs on the territory of the Eastern PKP Directorate.

### Trains Are Weighed in Transit

The Hrubieszow Border Station, at which the LHS commences, plays a major role in receiving and dispatching freight in both directions. In addition to railroad services, Hartwig [Freight Forwarding], Polcarg, Stalexport [Steel Export], Customs, WOP [Border Troops] and Soviet agents are active there. The station encompasses 16 km of broad-gauge trackage, switch points, and 3.1 km of normal-gauge trackage, as well as a central boiler room with a capacity of 62.8 GJ (15 Gcal), which powers all the installations, including a liquid waste pumping plant. The railroaders built with their own resources a freight car cleaning facility at the Hrubieszow Terminal and a facility for current repairs of freight cars at the Hrubieszow Freight Terminal. In addition, they are building a facility for the inspection and repair of passenger coaches (about 400-500 annually).

Early last year two electronic scales for weighing rolling stock in transit, each with a loadbearing capacity of 150 tons, the first ever in the PKP network, were installed on broad-gauge track at Hrubieszow. Previously, freight cars cruising on the LHS line had to be weighed in the interior of the USSR or Poland. Of course, each freight car is weighed separately during train demurrage. To expedite freight traffic and weigh freight more precisely, the PKP has acquired electronic dynamic scales built by a West German company, Carl Schenk. This facility includes two separate scales which weigh separately each freight car in a train as it moves on. Such trains may be made up of a maximum of 60 freight cars of various types, and they may ride onto the scales at speeds of from 5 to 8 km/hour. Each scale is linked to a separate computer system. Immediately—as I personally observed—after the last freight car is pulled off the scale, the computer provides a printout of such data as fare, gross and net weight, number of freight cars, identifying number of every freight car, date, hour, and speed of passage of the train, as well as current weather, outdoor temperature, and the name of the computer operator. In addition, the computer provides daily and 10-day

reports on freight received and dispatched. Moreover, it stores in its memory the identifying numbers of all the freight cars passing across the scale during each 10-day period. The computer is so programmed that in the event of a malfunction of the weighing system its monitor provides information on the nature of the malfunction, its locus, and the ways of eliminating it.

The accuracy of these scales is extremely high. The error in determining the mass of a train having a gross weight of 1,000 tons is barely 50 kg. An 85-ton freight car is weighed correct to 5 kg! It is worth noting that in this case international standards allow for a measurement error of up to 130 kg. Experience shows that even better results can be achieved. Thus, a train weighing 1,000 tons can be weighed correctly up to 20 kg! It can be said here that the precision technology for weighing freight cars markedly facilitates the station's operations by, among other things, serving to eliminate many documents that previously had to be filled out by hand. Work is in progress to broaden the utilization of the computers installed there and to link them to the main office at the Eastern PKP Directorate Headquarters in Lublin as well as to a system of computer terminals or teletypes installed at Izov Station (on the Soviet side of the border, adjoining Hrubieszow). In addition, the railroaders intend to make their computer system accessible to the companies cooperating with the PKP, such as Hartwig, Polcarg, Stalexport, and others.

### Technology Displaces Man

Such a statement may be regarded as a slogan and as something that is not quite true, because it is man who decides on the level of technology. Here, however, this concerns, of course, supplanting labor-consuming and arduous physical operations with their automated counterparts. Among other things, a remote control center is being built on the trunk line. Train traffic along the entire LHS will then be controlled and monitored from just one place, just one station. To be sure, this is very expensive, but in view of the traffic density this is indispensable. On lines with medium traffic density remote control also is employed. But it can also be applied to lines with low traffic density, chiefly owing to considerations of traffic safety. The optimal solution of this problem was considered by a team of experts at the Eastern PKP Directorate. This concerned chiefly the problem of sending signals to track switches from locomotives on single-track segments. Engineer Stefan Korzeniewski, director of the traffic control section, and Piotr Pawlowski, senior inspector of traffic control equipment at the Board for Automating Telecommunications at the Eastern PKP Directorate, as well as the Traffic Safety Chief Engineer Kazimierz Zieniuk, decided to use existing facilities produced by the ZNTK. Along the LHS there are few stations but many single-track segments which have to be tended by switchmen, and there always is a shortage of people willing to



perform this work. How can these operations be automated? Various solutions were explored, until it was concluded that the electrical sensors used on normal-gauge lines can be adapted to LHS track surface. This solution consists in that, to simplify the explanation, whenever a train approaches a switch point, the switches there become reset correspondingly. Once the last axle of the last car rolls past the switch point, the switches are reset to their normal position. In this connection, a special set of rules and special markings were worked out.

As ensues from the above description, the LHS is hardly a "fullfledged" railroad line. Real life requires its ongoing modernization. This concerns not only modernizing old equipment and introducing its new counterparts but also changes in the organization of labor, chiefly those that help simplify the connections between this sole broad-gauge line in Poland and the other, normal-gauge railroad lines. The purpose of these measures is to streamline hauls, which also means expediting them and reducing their cost. Much still remains to be done in this respect.

[Box, p 19]

The LHS is the only railroad line in Poland to be confined to freight traffic. That is why, among other things, no passenger terminals have been built along this line. However, everything indicates that soon passenger trains, too, will appear on this line. The introduction of special trains carrying Polish workers to construction sites in the USSR and children and youth as part of summer-camp exchange between both countries is being envisaged.

About 1,000 Poles are employed in Magnitogorsk, and soon their numbers there will increase markedly. Some 40,000 Polish specialists are working in the USSR. They represent potential passengers for chartered trains on the LHS. Preliminary talks and discussions on this topic have already been entered upon by representatives of the PKP [Polish State Railroads] and the Soviet Railroads.

1386

**Polish Employment in Soviet Industrial Construction Discussed**

26000639 Warsaw ZOLNIERZ WOLNOSCI in Polish  
26 Jul 88 p 4

[Interview with Edward Waszak, government plenipotentiary for the implementation of joint raw material investments in the USSR, by Andrzej Kruze: "Not Just 'Yamburg'"]

[Text]

[Question] In June 1988, the deadline for finishing the construction of the Progress gas pipeline from Yamburg

to the western border of the USSR will pass. We are at the construction site. Will the deadline be met?

[Answer] The deadline will be met. Along this gigantic construction project, 5,000 km of pipe, several dozen compressor stations, and numerous associated structures, Poles are building only a 326 km section of the pipeline. The entire investment is a joint undertaking of all of the European CEMA member countries.

[Question] We are counting a great deal on the natural gas we are to receive from the USSR in exchange for participation in this joint undertaking.

[Answer] In this respect, nothing has changed. By making this contribution of 930 million rubles—650 million rubles in construction and assembly work and 280 in shipments of equipment and steel structures—during this 5-year period to the construction of the Yamburg gas pipeline, Poland has earned the right to additional shipments of natural gas from the USSR of 44.6 billion m<sup>3</sup> distributed over 20 years. Previously, on the basis of the so-called metallurgy and gas agreements, we built a section of the gas line from Kobrin to Brest-Litovsk with the aim of increasing imports of Soviet natural gas.

[Question] Is Yamburg the only large industrial construction project in the USSR in which Poles are participating?

[Answer] Yamburg is primarily the title of our participation in the expansion of the raw materials and fuels infrastructure of the USSR. As part of the so-called Yamburg agreement of 20 January 1987, we are working on 45 construction sites. Our largest obligations, obviously, are in the construction of facilities for the gas industry. They amount to a total of 410 million rubles. We are participating then in the construction of the Progress pipeline. We are beginning the construction of a 259 km section of the gas pipeline from Tula to Kiev. We will participate in the expansion of several facilities of the gas industry near Lvov, Kiev, and Minsk. But all of this is only a portion of our obligations contained in the Yamburg agreement. . . .

[Question] What are the remaining parts?

[Answer] Our obligations at the construction sites of three soviet nuclear power plants, Khmel'nitskiy, Kursk, and Smolensk, total 120 million rubles. This type of construction services has become our export specialty. Suffice it to say that our Soviet partner has assigned our teams the performance of increasingly complicated facilities in nuclear power plants. This is also good training for the personnel studying the development of nuclear energy in Poland.

[Question] Poles are also working in Magnitogorsk. Is that work also associated with the Yamburg project?

[Answer] Yes, in Magnitogorsk a large metallurgy facility, the "Rolling-Mill 2000" is being built. Our portion of the construction project amounts to 120 million rubles, including just the value of the services provided.

[Question] But the "Rolling-Mill 2000" was supposed to be built at the Katowice Steelworks?

[Answer] There were such plans. However, the scarcity of investment resources forced us to resign from them. The Soviet Union decided to build the metallurgy plant. Thus, as part of the performance agreements added to the Yamburg agreement, we are re-exporting to the USSR the investment equipment valued at about 100 million rubles, which we had previously imported from the Soviet Union. We are also selling our Soviet partners an automatic control system purchased in the United States for the Rolling-Mill 2000. We are also making additional shipments of machinery and equipment of about 40,000 tons.

[Question] All this for natural gas?

[Answer] The Yamburg agreement concerns just shipments of gas to Poland. As regards other fuels and raw materials, the USSR has agreed to maintain previous levels of shipments during the next 5-year period without the need to increase our exports of construction and assembly services. This is important because at the beginning of the 1990's the majority of the agreements on raw materials expire that have previously been the basis for additional imports of raw materials from the Soviet Union.

[Question] Reports have been circulating in Poland recently that the USSR intends to limit imports of construction and assembly services, including those from Poland. Is that true?

[Answer] In this form, these reports are distorted. The USSR has proposed to change the structure of these services, in conjunction, obviously, with changes in the conditions of their exports. This is associated with the process of reforming the Soviet economy. Simply, Soviet firms are becoming competitive with our construction and assembly enterprises.

But this does not mean that we will be pushed out of the Soviet market. There is huge demand for municipal and social construction projects. In many cases, meeting these needs requires hiring special construction units. We have received offers to use the production capacity of our enterprises in building municipal facilities in Moscow. They include, among other things, the construction of the Kiev Hotel. In Sochi, we will probably build a 500-bed sanatorium. We are considering undertaking the expansion and renovation of the sanatorium in Azusht. In the area of Orel, our enterprises may participate in the construction of several villages.

[Question] But these are not the same thing as participating in large industrial construction projects.

[Answer] We will not cease to participate in these large construction projects. For example, in Bashkir, in the area of Ufa, we are participating in the expansion of a petroleum facility. We are still negotiating the participation of Polish enterprises in laying pipelines, although we are encountering some difficulties in this area. And our art restorers and conservers have received proposals for important contracts. During the current 5-year period, the value of all of the construction and assembly services in the USSR and our shipments of materials will reach about 1.3 billion rubles. During the next 5-year period, these exports should be of similar, or even of somewhat greater, value. This year we are employing nearly 22,000 people on construction projects in the USSR. Next year, we plan to employ around 30,000 individuals. Later the number of employees on contracts in the USSR will decline somewhat, although it is still too early to be sure. Discussions on this subject are continuing.

[Interviewer] Thank you for your comments.

13021

**Denial of Ownership Results in Ineffective Economic System**  
26000031 Warsaw KONFRONTACJE in Polish  
No 4, Apr 88 p 22

[Article by Prof Dr Andrzej Zawislak, director, Chair of Management Systems, University of Warsaw; specialist on economic policy and management systems; author of several books in this field; teacher at several foreign colleges, including in the U.S. and Turkey; one of the cooriginators of the Seminar "Experience and the Future": "Interest for Smith"]

[Text] The economic situation in most people's democracies and, first of all, the extent of our own crisis prompt us to ponder fundamental issues. The altogether comical jeremiads of one-time experts on doctrine, now desiring to ascertain for themselves "what socialism is all about," will not suffice. As it were, we should repeat after Marx his favorite saying, "*de omnibus dubitandum*" [everything should be questioned], and contrast even the most holy dogmas with the intrusively apparent reality.

Since this text is supposed to promote understanding rather than stir up enthusiasm, let us begin by recalling a certain very important truth about the world of natural phenomena surrounding us. Thus, it turns out that the most fundamental rules of that world are the rules of impossibility (e.g. a speed faster than that of light is impossible). Unfortunately, or, rather, fortunately, it turns out that the laws of impossibility also operate in the sphere of social phenomena, the same as in the material world. A set of rules describing the interdependence of such social facts as freedom, property, and productivity merits special attention. Thus, it is not

possible (in the long term) to maximize social productivity and at the same time restrict the freedom of members of society; nor is it possible to increase productivity by restricting property; finally, it is not possible to preserve freedom and increase productivity while eliminating property.

The laws of impossibility outlined above have been confirmed many times throughout history. They were confirmed, so to say, before our eyes in Austria and Czechoslovakia, the FRG and the GDR, South Korea and North Korea, Finland and Estonia.

However, these empirical examples are only an illustration to the paramount law of impossibility, namely, the impossibility of creating an efficient economic system, if the negation of property as a factor determining most behaviors of man as a producer and consumer is its main ideological principle. Unfortunately, the above laws—the same as all laws of impossibility, after all—can only be demonstrated by way of examples, shown in action, but cannot be proven. It cannot be proven that everybody will eventually die, or that *perpetuum mobile* [perpetual motion] is impossible. Similarly, it cannot be shown through an elegant formal deduction that a socialist economy cannot function any better than it does without an owner. On the other hand, any piece of empirical evidence of its inefficiency may be questioned by arguments referring to the events of history, the incompetence of the authorities, external circumstances, or, finally, unbearable traits of a given populace. Therefore, it is no accident that in so-called ideological discussions the force of an argument is usually equated with the argument of force.

While not claiming to offer a theoretical proof of the inherent inefficiency in a socialist economy, the author of these words has his own concept indicating the relatively objective, systemic nature of [factors] which force such inefficiency. As briefly as possible, the shortcomings of the socialist system are indicative of the fundamental principle of social order, according to which the unambiguously positive phenomena cannot be maximized at the same time. On the contrary, all social systems "thought up" by the ideologues, consciously planned and designed, violated this principle, in effect, by definition. When a new system was built, an automatic attempt was made to endow it with all positive traits, and at their maximum intensity at that; as a result, the principle mentioned above worked, and all the positive traits began to cancel each other out.

Such, after all, is the beauty of human world that not only does sterility kill the aroma, as Levi Strauss said, but freedom interferes with equality, justice collides with productivity (to say nothing about compassion), investment reduces consumption, and secure stability kills creative activity. Let us take the pair "justice-productivity" as an example. In our socio-economic system, it was recognized that compensation (remuneration) commensurate with the effort is the foundation of social

justice in the economic sphere. Compensation is due for the work performed. A hard-working employee of a steel mill must receive payment commensurate with his work. It is better not to ask what the productivity or economic efficiency of such work is.

In a market economy, the issue does not look nearly as congenial. To be sure, a contribution of labor is a necessary condition for receiving due compensation, but it is not always a sufficient condition! After all, this must be labor whose expediency has been socially accepted. Such acceptance is gained in the market, in the course of purchasing given merchandise. Unequal remuneration for equal effort, risk, skill, etc. is a systemic instrument for spontaneous and free transfers of human and material resources from one field to another. If remuneration is distributed by "contribution to the effort" (i.e. justly), without taking its result into account, then transfers should be determined by order. The planning center responds to the objective economic situation and establishes the most adequate investment policy. The catch is that, as a rule, it is the most adequate from the point of view of the most powerful lobbies. No lobby can achieve power equal to that of a lobby in a socialist economy, i.e. a group free from the rigors of economic prudence, set up on the principle of "economic power without economic responsibility." Therefore, it is not surprising that our notorious Center always was (I have used the past tense without a valid reason) a paper tiger as far as industry and ministerial lobbies are concerned.

An economy devoid of property is an economy not only of unpunished inefficiency but also of continuous frustration of consumers "provided for in a planned manner." After all, it turns out that an opportunity for distributing goods justly, and to the satisfaction of those immediately involved, without a market mechanism is stuff and nonsense. Let us, for example, imagine that, in recognition of the achievements of a football team, the management of the club gave 8 cars to be distributed among them. Here we have a typical example of non-market distribution of sought-after goods. The ideal distribution would be the one which will improve the situation of all concerned objectively and subjectively. Even at the preliminary stage, it turns out that a methodical discussion of achievements by individual players is an operation of dubious usefulness. For example, how can the achievements of a football player, who used to be the pillar of the team last season, but performed atrociously in the last three games, be compared with those of a football player who was mediocre until recently, but now is commonly compared to Maradona?

It turns out that even in this situation the only method of distribution which does not disappoint anybody entails the use of a market mechanism. Let us assume that all the athletes are given 8 coupons, each of which entitles you to (has the nominal value of) one-eleventh of a car. In this manner, every athlete receives eight-elevenths of a car in the form of coupons. However, to be completely happy, he needs three-elevenths more, or three more

coupons. Immediately, a coupon market springs up among them. The ones who objectively need a car the most are inclined to pay for the lacking coupons even more than their face value is. Spontaneous processes in this mini-market bring about the equilibrium price, and subsequently, the allocation of the resource in keeping with the real intensity of need. As a result, 8 out of 11 team members have 11 coupons entitling them to receive cars, and three have money for the coupons sold at a negotiated price. The objective situation of all has improved. Also, nobody can make the accusation that the management again gave it to their people... The market has done something that no Center would be able to do in its stead.

The naive assumption that the state as an expression of the common interest is the most proper economic decision-maker resulted, in reality, not only in the frighteningly low efficiency, but also in numerous cases of violating the rule of economic law. It could not have happened otherwise, because the state, as a mediator or judge in economic cases, became a judge in cases in which it is itself involved. In this manner, the principle *nemo iudex in causa sua* [nobody is a judge in his own case] dating back all the way to the Roman times, is violated! All of these scourges of our system, all the more painful because they are measured against the situation of the states to whose material level we aspire, brought out the desire for reform. Therefore, our reform is the beginning (still very tentative one) of eliminating the most sinister nonsensical arrangements in the system of a centrally planned economy. However, thus far all discussions associated with introducing it are mainly restricted either to repeating banalities, or to solving specific substantive problems. However, there is an embarrassed silence concerning the ideological and philosophical aspect of inspiration for the entire process.

Despite appearances, the issue involves not only ideological and philosophical questions, but also very specific practices. (In the margin, I will recall that there is nothing more practical than a good theory). After all, how can one take seriously all the solemn assurances of the authorities concerning the will to carry out reforms and the permanency of the arrangements introduced, when the main thrust of these changes ("marketization of the economy") remains an obvious contradiction to the official ideology of the party, which has a constitutionally guaranteed, stable position in the political system of the state. As it were, the negation of the market and property is the cornerstone of the marxist doctrine, and thus far nobody has renounced it. If, for example, I am to invest my funds and effort in private economic operations, i.e. behave in a manner obviously not in keeping with the official ideology of the ruling party, then who can guarantee me how long the tactical suspension of this ideology will last. The experience tells us that, thus far, the red light has always followed the green one. The NEP [New Economic Policy in the 1920s in the USSR—translator's note] vanguard ended up in the Solovki Islands [the site of the prototype concentration camp under Stalin—translator's note].

This very uncertainty about the permanence of an undertaking which continues to be an obvious contradiction to the official ideology is the reason why there are so many swindlers expressly geared to "the short run" among the private initiatives involved in economic operations. Therefore, the question arises: should not the ruling party take a public and official stand on the ideological inspiration for its practical activities? In the final count, as Engels pointed out, ideology is neither true, nor false, but more or less useful. History also tells us that statements by the classics were not generally the motive for important practical actions. Lenin did not hesitate to organize a revolution, despite the fact that, according to the classics, it could only occur in the country with the most developed capitalism; Stalin spared no effort building up the bureaucratic machinery of the state, despite ideology having predicted its gradual withering; Gorbachev devotes much effort to stabilizing peaceful cooperation with the West, despite the fact that, according to the classics, a revolution caused by the growing exploitation of the working class should be taking place, and aggression is an inseparable feature of imperialism...

All of these examples go to prove that ideology is a quite flexible determinant of practical actions. However—and I would like to stress this—it can also be a factor greatly reducing the chances for the success of such activities, especially when they involve promoting spontaneous operations by people in the economy. After all, the permanence of the new economic policy is believable only if accompanied by official reevaluations in ideology corresponding to its spirit.

When developing his theory, Marx borrowed a lot from Adam Smith. Now is the time for the marxists to pay the interest to Smith.

9761

### **Economic Stagnation Signs: Inflation, Control Mechanisms, Investments**

26000616b Warsaw TRYBUNA LUDU in Polish  
11 Jul 88 p 4

[Article by Jacek Swidzinski: "Diagnosis of Failures"]

[Text] For 5 years now, a group of scholars, connected with the Krakow Academy of Economics and commissioned by the Central Methodological Institute for Political Science Studies in Warsaw, has been preparing aggregate reports on the subject of the economic results and socio-political determinants of the past year. Following 1983, 1984, 1985, and 1986, the turn has come for a report entitled "Internal Economic Determinants of the Shaping of the Political Situation in Poland in 1987." Krakow 1988.

This is a very interesting report, although more than a few people could accuse it of an overly gloomy point of view. On the other hand, however, owing to the poignancy of the presented argument and owing to the

critical recognition of a series of phenomena occurring in the past year in the Polish economy, it becomes quite clear why the second stage of the economic reform became necessary so urgently and so quickly. In the last argument of their report, the authors write as follows:

"The economic and political systems changes in Poland caused by the August crisis and planned by the Ninth Extraordinary PZPR Congress, have found themselves at a standstill." A set of factors has formed that blocks, or in any case, significantly inhibits systems changes which we describe with the term "stagnation syndrome."

In what does the group of scholars connected to the Academy of Economics in Krakow perceive signs of stagnation; what are the causes for this state of affairs; and what measures should be taken (although, the least about this in the material under discussion)? The aggregate economic performance indicators from the past year, indeed, do not present an impressive picture. The increase in the produced national income came to 1.7 percent which is the lowest result since 1983. The most favorable situation occurred in industry whose sold production was 3.3 percent higher whereas total production in the agricultural sector fell 3 percent and 1.7 percent in socialized construction-installation enterprises. The results in foreign trade are better since exports (according to fixed prices) rose 4.1 percent. Material intensiveness of production decreased but energy intensiveness of the Polish economy rose whereby the authors view the causes for this in the structural traits of our economy.

The economy's control mechanisms were askew. According to the authors from the Academy of Economics, "planning cannot find its proper place in the changing conditions of enterprise functioning." Central planning is also functioning defectively (short prospects) as is regional planning and planning at the level of basic economic units. At the same time, organizational concentration tendencies are becoming stronger.

"In its current form, the legal system precludes the implementation of the principle, 'What is not legally prohibited—is allowed.' The excessive amount of rules and regulations, their minuteness of detail, and perpetual changes are the obstacle," write the economists from the Krakow sphere. This has already been noticed, evidence of which is the elimination of a large number of legal acts, and foreseen along with the passing of a law on the taking up of economic activity.

The authors call attention to the signs of inflation whereby, in this case, it cannot be said that 1987 was the past and 1988 will bring about a radical change because this year, the rate of inflation will as yet rise significantly. This is our economy's nightmare which not only is the product of market imbalance or sluggish investments but also of the foreign debt that weighs heavily on Poland. Thus, the inflationary processes are all the more difficult

to curb but at the same time, they are all the more frustrating for society, which the authors of "The Internal Determinants" point out emphatically.

On the other hand, the argument about the direct interference of party elements in the course of genuine processes occurring in the economy "which makes the economy a conserving force in relation to the assumed systems changes," is controversial. After all, at the Ninth Congress, it was the party that gave and developed a program of reforming the economy (about which the same authors write elsewhere). It is out of the party's inspiration (Tenth and Sixth Congress, and the Seventh Plenum) that a significant acceleration of the reform processes has occurred. No one else but the party, which is accused by the authors of holding up changes, has initiated work on the outline and subsequently the detailed program of the second stage of the reform.

This analysis made by the Krakow scholars is also severe, although, there are moments in it that are open for debate. It is possible to see in it a tendency toward a "pure theoretical model" of the economy but, after all, the economy is a living body and it is impossible to predict many phenomena occurring in it. Nonetheless, there is much truth in this report whereas the controversial points only prompt toward a more lively discussion.

9853/9274

#### **Changes in Bank Credit Policies Upset Enterprise Habits**

26000616a Warsaw RZECZPOSPOLITA in Polish  
11 Jul 88 p 3

[Article by Bozena Papiernik: "Bank Credit Policy: Consistent? Lenient? Effective?"]

[Text] We all support economic restrictions—made in statements. When the bank uses them against an enterprise; when these restrictions may make our life more difficult, support—as a rule—weakens. There are instances where bank policies are met with criticism because of the well-known principle that attack is the most effective form of defense. There is nothing strange about this: interests, as a rule, hide behind causes. However, the Polish National Bank has a specific role in the system of the economic reform in that it fulfills the role of a guard of primary, national interests as the executor of financial discipline in enterprises and in the state. An appropriate credit policy is the instrument for the implementation of this social interest.

What does the current credit policy of banks look like, what traits are prominent? Does it respect the principle of hard financing to a sufficient degree? Or is it perhaps too lenient, too soft? Does it counteract the issuance of empty, inflationary zlotys in an effective manner?

Not only in the opinion of bankers but also that of many ministers and such important advisory bodies as, if only to mention, the Sejm Socioeconomic Council or the Sejm Advisors Group, the principles of granting credit followed by banks for the second year in a row deserve to be termed rigorous, though sensible, more so than inconsistent.

Credit policy may be assessed as too lenient perhaps in only one respect: the principles of setting interest rates. The average interest rate, which last year came to barely 6.7 percent, was disproportionately low in comparison with the rate of inflation. This year, it, admittedly, increased but was this to an adequate extent? Healthy financing rules dictate that the credit rate of interest should be higher than the interest on the deposits made by the public, i.e., the accumulated bank funds. It should also exceed the price increase index. Meanwhile, in our country, the ratio between these amounts is not as it should be which does not promote either savings nor the wise expenditure of money. Therefore, making the credit rate of interest more realistic continues to be a problem.

The time has already passed when bankers would grant credit to enterprises according to principles of "equal treatment" whereby both weak and strong enterprises were treated the same. Today, they meet those enterprises half-way that, above all, want to help themselves and try to point them in the direction of the desired productive, efficient activity.

For example, banks have the obligation to prompt enterprises to set aside an appropriate part of their profits for developmental purposes and not live from day to day. Modernizing ventures, which favorably change the production structure by leading to its modernization, have absolute priority in receiving credit. In assessing enterprise creditability, such efficiency gauges as the cost level; the degree to which fixed assets are used; and the productivity, quality, and up-to-datedness of production are taken into consideration. Banks are also assigned the task of influencing improved materials management and reducing the level of reserve stock that is frequently excessive in enterprises.

Is the motto "help yourself," if we want to count on outside help, strong and widespread among enterprises? It is difficult to answer this question affirmatively if the cross-bar of requisites is placed as high as required by the reform. It is estimated that of the units drawing bank credit (approximately 60 percent of enterprises take advantage of credit) scarcely one-fifth, one-fourth at best, have not only current but also prospective credit worthiness. Such enterprises think about the prospects of their development. During the distribution of profits, they take into account, above all, developmental goals and do not allocate excessive amounts of it for wages or consumption purposes. "For them, credit will always be found," assure bankers.

However, the high percentage of those enterprises that do not apply for credit does not, at all, mean that they do not need it. In part of the units this simply results from their reluctance to submit their finances and their management to bank control. It is too bad, though, that many enterprises are managing very well without credit in a tried and true manner because there are tax reductions available, liabilities have been eliminated, and subsidies and grants have been increased.

This is one of the important reasons why despite the banking system's considerable efforts to curb the issue of inflationary currency, thus far these efforts have not been effective.

Enterprise directors frequently charge that banks limit excessively the credit amounts. These types of charges must be dismissed because the old principle, not adapted to the conditions of the reform, that credit should be granted on the basis of need whereas their lack may impede enterprise initiative, is expressed in them.

In the meantime, the rules of hard financing assume that it should be based not on need but on ability. Banks can lend to their clients only as much money as they are capable of accumulating in the form of deposits and savings. And these are amounts calculated in an almost mathematical manner.

Financing according to the needs reported by enterprises as well as those submitted by the budget is nothing more than the issuing of empty currency and the moving away from economic and money-market balance. That is why in the Sejm and among economists, for example, it has been generally proposed that the practice of automatically financing the needs of the budget be eliminated consistently and completely. This is another important condition for an effective anti-inflationary credit policy.

Another form of financing enterprises according to their need is also by increasing credit for debtor enterprises so that they [enterprises] could meet their overdue obligations whereas creditors could enforce the repayment of the amounts due from them. Such measures, as proven in practice in recent years are short-term measures. They help in the temporary relief of payment blockages between enterprises but soon after, everything returns to the point of departure. Therefore, this may be compared to anesthetizing the symptoms of an illness without attempting to treat its cause.

Thus, currently banks are not planning to make allowances for overdue payments in their credit policy and in this way taking the burden off of debtor enterprises and their creditors. The latter should be concerned about the cost of financing their contractors and maintain contact only with those who are solvent. The concept of efficiency cannot be solely limited to the internal management of enterprises but should also extend to relations between suppliers and recipients.

Disputes between banks and enterprise directors about the amount of turnover credit are common today. Directors feel that credit should, indeed, increase in proportion and exactly in relation to the significant current rise in raw and fabricating material prices. However, the bankers see it differently. They believe that price increases work in both ways. Admittedly, we do pay more for raw and fabricating materials but also as a result, greater effects are obtained. Moreover, the goal of credit discipline is to counteract the stockpiling of supplies in enterprises whereas their reduction also lowers the pressure on the amount of requested credit.

"If enterprises do not feel restrictions in the flow of money," bankers claim, "they also have a tendency to overpay for the delivered raw and fabricating materials and are not inclined to assume negotiations on the subject of prices, paying as it flows." Surveys conducted by banks indicate that scarcely 1 percent of enterprises assume price negotiations.

In summing up this argument, it should be stated that in granting turnover credit, banks cannot completely pass over the current significant rise in prices on raw and fabricating materials, replacement parts, etc., but they stay away from a policy which assumes that the amount of granted credit should correspond exactly to the increase in prices. Indeed, in a case like this declarations about hard financing would remain just that—only declarations. Nonetheless, it should also be stated that such principles of financing require flexibility and great skill on the part of banking services. Therefore, it is difficult to avoid the question whether these banking services are able to meet the exigencies of the current credit policy.

And the most important conclusion: an appropriate bank credit policy is not sufficient to effectively combat inflation, price increases and the devaluation of currency. The credit granted by them [banks] is only one way of creating money. In order to close up the outflow of empty, inflationary zloty, discipline in the implementation of the state budget is indispensable.

Experts also stress unanimously that the limiting of expenditures from so-called expedient funds, where so far the doctrine of difficult money has not been in force, would also have an important meaning. The above measures must, obviously, also be harmonized with influence on enterprises. Simply said, it is necessary to step away from protecting those units that do not demonstrate improved economic results.

9853/9274

#### **'Market Socialism' Theories, Lange's Model Deemed Impractical**

26000650 Warsaw ZYCIE GOSPODARCZE in Polish  
No 31, 31 Jul 88 p 8

[Article by Marek Prymon: "On Market Socialism, Realistically"]

[Text] The so-called market socialism, as interpreted by Oskar Lange, at present, despite the originality of this

concept, merely occupies a niche in the history of economic doctrines.<sup>1</sup> After years of observation it turns out that Lange's model of market socialism is not only infeasible in theory but even, assuming the existence of any opportunities for translating this model into reality, unsuitable in practice.

What is more, it turns out that while certain elements of Lange's model provided inspiration for explorations in many directions by Polish economists, such inspiration most often has led to erroneous notions. Of course, O. Lange's recommendations concerning the decentralization and dual nature of the economy are unusually valuable, but their significance is obscured in the context of Lange's overall vision of the economy.

Lange's principal error lay in a mechanistic approach to the operation of the market, including the operation of market elements. Of course, that economic genius can be readily forgiven exploiting an outmoded idea of the market, considering that even many years later the renowned Janos Kornai failed to perceive in his pioneering works on systems analysis certain important diagnostic features of the operation of contemporary markets in highly developed countries.<sup>2</sup>

#### **What Was Underestimated by Lange**

Above all, it has to be pointed out that O. Lange underestimated the formulas for and conditions of competitive market actions and focused onesidedly on the significance of price signals. Another major error of Lange was the assumption that the market can be simulated by a bureaucratic procedure. If only owing to considerations of information content, the possibilities for creating an artificial market are nil. Government agencies are incapable of receiving, processing, and transmitting in so-called real time the mass of information that could "create" a market.

Nowadays Lange's defenders willingly point to a decrease in the extent of detail in the decisions of government agencies, in the belief that it suffices simply to focus attention on the prices of aggregations of consumer goods and on the principles of cost accounting at enterprises. Unfortunately, since enterprises are not automata programmed by the government, they are prone to do everything in their power to evade these principles. As a result, as Kornai pointed out, referring to the Hungarian experience, government agencies feel forced to issue additional commands and prohibitions. Ultimately there arises a conflict that does not make for a harmonious market.

Although Lange's model has not been applied anywhere it has become, as I mentioned above, a major inspiration to many economists. Perhaps it may be an indirect inspiration, but I believe that the entire school of "instrumentalists" originates precisely from it.



The starting point for that school is its—seeming, of course—defense of the market. The actual (or potential) functions of the market decide its role in the economy. Immediately, however, to avoid misunderstandings, the instrumentalists curtail the scope of the market by pointing to its short-term credibility.

This assures a place, clearly a paramount one, for the plan. Since the instrumentalists avoid analyzing the structure of decisions at enterprises on modern markets, they are not bothered by the question of the horizons of action of enterprises, by the problem of strategy at enterprises, or by the problem of investment decisions. Moreover, for instrumentalists it is not enough that a place for the plan is formally assured by restricting the market's role to the short term. They also need to treat the market as an instrument of the plan.

To the instrumentalists the market represents a corpus of parametric instruments for management. A thus "regulated" market may adduce major advantages without any major difficulty. The instrumentalists tolerate a certain scope of market self-regulation, since to them the market has a fairly simple structure (is not a "black box") and inasmuch as they believe in the existence of a wealth of instruments for guiding the market by government agencies.

Returning to Lange's model, from the vantage point of the present a major shortcoming of that model is its inadequate consideration of the theory of the operation of enterprises on the market. Under that model the problem of the enterprise reduces to treating it as a profit-maximizing entity. Yet observations of enterprises anywhere indicate that they are intricate systems with multiple and often conflicting purposes.

A 1978 Nobel prize winner, H. A. Simon, commented that, in modern management, decisions are taken in a conflict atmosphere and that management itself consists in resolving such conflicts. What is more, observation of strategies employed on the markets of highly developed countries demonstrates the diversity of strategic objectives formulated in differing conditions. It is not Lange's fault, of course, that nowadays we have at our disposal the experience of the theory and practice of so-called marketing management.

If, however, the aforementioned shortcoming of Lange's model is viewed as secondary, we can at least agree that, in view of the role of enterprises in market processes, the question of the concept of the enterprise cannot at present be glossed over. Incidentally, let us point out that the instrumentalists have not contributed anything to this issue. [According to them] the enterprise as an automaton merely requires being provided with the right instruments, and if it is a poor automaton it can be reformed by means of these instruments.

The last important shortcoming of Lange's model consists in its mechanistic approach to government agencies. For while Lange was justified in viewing, for modeling purposes, government agencies as an omnipotent and cohesive factor, in specific reflections on the operation of the market these agencies have to be considered in relation to possible organizational solutions and actual opportunities for meshing the flow of information with the flow of decisions taken. It must be admitted that in this respect the instrumentalists have taken a major step forward by postulating, among other things, the concentration of market decisions and the restructuring of government agencies. It is only a pity that by translating into reality the concepts of the instrumentalists we would have at our disposal the instruments for "governing the market" without... the market itself.

O. Lange made an undoubted contribution to the development of economic theory in Poland, but this is not the place for reviewing it. What matters is that Lange's model has turned out to be impractical. It is a fact that sometimes this model is linked to the reformed Hungarian economy. In reality, however, not one of its assumptions is present in Hungarian practice. On the other hand, an examination of discrete solutions in planned economy may reveal echoes of certain of Lange's concepts.

#### What Does It Consist of?

Typical solutions in centrally planned economies are based on the concept of an interplay between government agencies and enterprises. Until now the rules of that interplay have been variable, as have been the proportions in its methods (parametric and command methods). It is worth noting in this connection that applying the "command-allocation" term to management systems, prior to the series of the current reforms, is an oversimplification to the extent that some economic feedback has existed in every system. A genuine command-allocation system would be typical of a pure central-planning formula as interpreted by Feldman. Clearly, an interplay or game of this kind, which simulates the market in some way, indeed represents an extremely distant echo of Lange's model.

So far we have been considering Lange's model of market socialism. Since we agree that such a model is impractical, this means, above all, that the idea of an artificial centrally guided market also is impractical. A more expedient and fairly universally adopted assumption is that of a normal market which the government agencies influence by pursuing carefully selected strategic goals with the aid of genuinely effective instruments that leave the market system maximally intact. And a normal market is one which includes not only the feedbacks typical of it but also its typical institutions, subjects, and categories.



Hence I believe that nowadays market socialism has to be a very broadly interpreted concept and one based neither on Lange's propositions nor on the notions of the instrumentalist school. Such a postulate, hardly novel as it may be, requires, of course, meeting various conditions which space does not permit enumerating here.

However, mention should be made of the assumption that systemic aspirations would have to be accomplished fundamentally through the domain of social consumption, which to be sure is dependent on the economy as a whole but represents a mechanism separate from the market. At the same time, these (realistic) aspirations would be the point of departure in the process of strategic planning. Lastly, this being a worldwide trend, systemic aspirations can be incorporated in the legal-administrative regulation of the market.

As I noted previously, it is not my ambition here to enumerate the features of the normal market, because that has long been considered by a sufficient number of economists. There exists only one genuinely controversial issue concerning the autonomous aspects of the market, namely, the property relations of enterprises as market entities. Currently, important discussion of interpretations of public property is under way on the pages of *ZYCIE GOSPODARCZE*. Hence, I shall confine myself to a brief commentary on this subject.

First, I believe that the category of property is of crucial importance to the efficient operation of enterprises as market organizations. For ownership of the basic capital of an enterprise by the enterprise itself is a factor in meshing optimally not only the short- but also the long-term actions of the enterprise with the requirements and opportunities harbored in the variable market environment. In this sense, ownership cannot be regarded as an abstract category.

Second, I agree with those critics of the traditional organization of the economy who claim that the traditional concept of state ownership is not passing the test. For here the concept of ownership is not treated as a specific category.

Third, discussion of the public versus private property kind is not enough; what is needed rather is the exploration of realistic solutions.

Fourth and last, the oft-postulated pluralism of solutions cannot be an end in itself ("so that things may be different"); rather, that pluralism should be a symptom of the exploration of various solutions that may be optimally adapted to particular conditions.

Let us therefore briefly review typical possible solutions.

#### A Review of Typical Solutions

A typical solution, at least in theory, is privatization (for reprivatization is not always the issue).

The attractiveness of this direction is often due to observations of reprivatization policies in many highly developed or even Third World (e.g., Thailand) countries where, as known, reprivatization is linked to expected advantages in the form of not only greater competitiveness and efficiency but also higher fiscal revenues owing to the sales of state-owned enterprises.

The attendant (and understandable) resistance from trade unions and the economists linked to socialist parties cannot be completely disregarded. Likewise, reprivatized enterprises do not always perform better (one such negative example is that of British Telcom, a company in Great Britain). Of a certainty, reprivatization produces benefits whenever the reprivatized enterprise immediately faces strong competition. Otherwise, a state monopoly becomes even worse by becoming private.

In Polish conditions, the growth of the private sector in certain (not necessarily controlled) domains may be significant if it is to be growth on a large scale and one leading to competition. There is hardly any need to add either that the quality of performance of the private sector will reflect on the quality of performance of the state sector.<sup>3</sup> It also is self-evident that the availability of capital would constitute a natural limit on the growth of the private sector in Poland and hence also on privatization.

The second, typical surrogate solution consists in either so-called participation, that is, an agreed-upon distribution of shares in an enterprise to its employees, or simply in "the participation of the workforce in the profits." I term this a surrogate solution, because it results in linking the motivations of workers to the aims of the enterprise without automatically resulting in a new owner. Hence, the nature of the enterprise as a market organization remains unchanged.

The third and fairly old solution is linked to syndicalist proposals. Criticism of syndicalism would not be worthwhile were it not for the fact that syndicalist proposals occasionally resurge in Poland. It is a shortcoming of all varieties of syndicalism that employee-owned enterprises are unable to accomplish any goals other than maximizing earnings within a short period of time. From the market's point of view, what matters more is motivation for long-range market strategy, for investing, for risk-taking, for mergers with other enterprises, for abandoning unprofitable operations, etc.

The fourth solution is group property in the form of cooperatives. This form is a derivative of private property and is more effective if it enables a greater number of persons to engage in economic activity and makes it more profitable (as, e.g., in Norwegian farming cooperatives). From the humanist standpoint it also has the important advantage of the primacy of employees. From the market standpoint a typical labor cooperative may display shortcomings typical of syndicalist solutions.

The last, general solution is treating enterprises as joint-stock companies in which shares are owned by their employees as well as by regional governments and other outsiders (individuals, banks, etc.). This form is the most efficient in the light of requirements for operating on the market, and it is realistic with respect to broad market branches in Poland (although its direct application is not that simple).

In the above brief review I am not including various derivatives or combined forms (e.g., foreign enterprises, joint ventures with the participation of foreign capital). I have not included either various concepts of group work which are—perhaps—essential to motivating an enterprise's employees but which are unrelated to changes in the concept of property.

None of the proposed solutions is ideal. Moreover, the suitability of any given solution can be corroborated in particular market conditions. From this it ensues that market socialism simply requires a normal market.

#### Footnotes

1. O. Lange's works are included in the syllabi of required readings at many Western universities precisely as part of the course "History of Economic Doctrines."
2. Kornai's typical oversight was the failure to include among the criteria for plan and market evaluation the possibility of adaptation to ambient changes, yet this is the crucial argument against the traditional plan formula.
3. Cf. A. Matysiak, "Is Public Ownership an Impediment to the Reforms?" *ZYCIE GOSPODARCZE*, No 4, 1988).

1386

#### Sale of Business Shares Below Par Value Advocated

26000003 Warsaw *PRZEGLAD TYGODNIOWY*  
in Polish No 35, 28 Aug 88, p 3

[Article by Rafal Krawczyk, research fellow, Catholic University of Lublin and the Heritage Foundation in Washington: "To Endow With Property"]

[Text] Issue 27 of *PRZEGLAD TYGODNIOWY* carried an article by the economist Marian Guzek on the results of a survey concerning the ownership of the means of production in Poland. It was carried out in two large enterprises, the Warsaw Iron and Steel Mill and the HCP [Hipolit Cegielski Works] in Poznan.

The results of the survey show two things: firstly, the almost instantaneous evolution of the attitudes of workers in the Polish discussion on the forms of property; secondly, that the authorities, too, are now prepared to

recognize that "a controlled flight" from the centrally planned economy is the only way to save both the economy and the stability of the political elite itself in Poland.

I recall that as late as 1983, only astonishment mixed with curiosity was the response of my students to the idea of "marketizing" the economy by way of a system of shares. As the article by Marian Guzek suggests, at present the concept of transforming state enterprises into employee-owned enterprises based on the issue of shares is commonly accepted by the workforces of large enterprises. This testifies to the truly lightning speed with which the correct conviction is spreading throughout Polish society on the necessity of "marketizing" the economy by shifting the burden of responsibility for it from state organizations to individual and group economic operations. After all, I encountered the accusation that this concept is "unrealistic," "impractical under Polish conditions," and "radical in the extreme" very recently, in 1986.

However, the article by Marian Guzek shows that there may be a hidden catch for both the populace and the national economy in the issue of state enterprise shares. In describing the survey, Prof. Guzek invariably uses the formulation "the sale of shares to the workforce" or "among the populace." This means that anybody, either by virtue of the place of employment or of his desire to invest "disposable cash," will be able to purchase shares of any state enterprise in the future.

To put everything in complete order, we should recall here what a share is, in order not to confuse it with other securities. As defined by the "Brief Economic Encyclopaedia," the share is "a security attesting to the contribution by its owner to the capital of a joint-stock company and giving him the right to a dividend." In other words, the dividend is a consequence of participation in ownership. In a market economy, any owner of shares of a given enterprise is its co-owner in two aspects: firstly, he is a co-owner of the company in the technical sense—he has the right to take part in a general meeting of shareholders and vote both on the direction of its strategy and candidates to the board of directors. The weight of his vote depends on the number of shares owned. Secondly, he is a co-owner in practice, insofar as his response in the securities market shows at the same time his evaluation of the enterprise's efficiency, and the value of shares has an obvious influence on the policy of the management cadres and the board of directors. This is the very essence of a smoothly operating capital market.

In theory, the "controlling share" amounts to 28 percent of the entire share issue, given the average dispersal of shares. In the environment of a high share dispersal, or, as some would call it, socialization of capital ownership, as in the case, for example, with some large British

corporations, it happens that the decisive voice on the directions of company development belongs to those who have ensured direct control over 2 to 3 percent of the share issue.

The point of departure for creating the share system in Poland is completely different. This point amounts to supermonopolization of production assets ownership in the socialized sector. State organizations hold 100 percent of the value of enterprises. Therefore, the state will remain the most powerful "shareholder," the only one with a uniform and clear-cut interest, even if state enterprises are transferred to employees, and 80 or even 90 percent of shares are distributed through sales among the populace of our country. Thus, dispersed small owners of shares will continue to play the role of the source of financing for the development of enterprises, but they will never achieve the power needed to impose on the company any concept of development different from that of the state. Therefore, the sale of a majority capital value of enterprises undoubtedly changes the legal character of enterprise ownership; however, it does not "divorce the state" from the economy as far as the methods and criteria of economic management are concerned.

However, the above reasoning is strictly theoretical in nature. After all, let us ask a question whether the concept of marketizing the economy by "selling state assets to individual citizens" can be implemented at all in the economic sense, i.e. that of funds available to the populace. Let us compare the statistical data necessary for such an analysis.

In 1985, the gross value of fixed assets owned by the state sector came to 28,281 billion zlotys in current prices, and their net value—to 18,775 billion zlotys. At the same time, "savings by the populace" in state banks and savings banks were 1,315 billion zlotys. This accounted for 7 percent of the net and 4.6 percent of the gross value of fixed assets. Thus, assuming heroically that all savings deposits of the populace, or the entire accumulated "inflationary gap" will be allocated for purchasing shares, employees of enterprises, together with the "free market" of shares, are not in a position to purchase more than 4 or 7 percent of the state production assets, depending on the method of calculating the price.

What can be the influence of this on ownership relations in our country? None. Well over 90 percent of the value of shares will remain in the hands of the state owner. Nothing will change from the point of view of the ownership structure, understood as the structure of echelons making strategic decisions on allocation. In turn, what will change? The nightmare of Polish planners, the legendary "inflationary gap," which supposedly upsets "market equilibrium," and which has not been eliminated even by successive stages of combatting it with drastic price increases, will disappear. Therefore, for these planners there is a justified temptation to treat "Operation Shares" as yet another method of syphoning off the savings of the populace.

The report presented by Marian Guzek in PRZEGLAD TYGODNIOWY shows that the survey of the workers of the Cegielski Works and the Warsaw Iron and Steel Mill suggests two conclusions, with regard to "the workers' preferences" concerning property:

1) state property, entrusted for management to a self-management [body] which, upon taking into account the preferences of respondents on the issue of selling shares of state enterprises, assumes the form which may be called state-employee property,

2) private property in the form of shares or in the form of enterprises of a noncapitalist nature, i.e. family businesses and companies not employing hired labor, as well as cooperative property.

The concept of selling shares enjoyed full support of the workers in the survey mentioned above. As Marian Guzek reports, 57 percent of respondents would like to buy shares of their own enterprise (in the HCP, 64 percent), and an equal percentage—shares of other enterprises (in the HCP, also 57 percent). These percentages are undoubtedly a manifestation of optimism. However, the authors of the survey give no answer to one important question: what exactly are the workers surveyed to purchase the shares with? They do not at all explain the practical reasons for the fact that employees will buy shares of their own or someone else's enterprise rather than realize their "pent-up demand" and buy a refrigerator or a TV set.

After all, every economist knows that in poor countries such as Poland the so-called propensity to save is always low, because the income of the populace is too low compared to current needs. The savings of the populace in Poland represent "pent-up" demand, not realized for some reason, to a much greater extent than genuine savings in the "Keynesian" sense. The "capitalist" striving for profit and power through capital ownership cannot become a motive for such saving. This follows both from the survey itself (workers prefer "noncapitalist property"), and the simple calculation presented above and showing black on white that neither an individual nor an entire workforce will ever secure the controlling package of shares of its own enterprise, if the shares are to be sold on par with the value of its fixed assets.

Let us state this clearly: selling 4 to 7 percent of the value of the fixed assets of enterprises to the workforces and the populace of the country will change nothing in the way of making decisions on allocation in these enterprises. Nor will this operation create a capital market, because that market is based on the opportunity to deal in entire enterprises rather than a fraction of their value. On top of this, the concept of selling enterprise bonds to

the populace results in considerably fewer benefits for the owners of these "socialist securities" in Poland compared to Hungarian bond holders.

By its very nature, the bond guarantees at least permanent annual interest. Meanwhile, the "Polish share" so understood actually provides no effective participation in management, whereas dividend income—if it were to be a share—would be determined by the annual general meeting of shareholders, which distributes book profit, if such has been generated. If it has not, there is no dividend. Meanwhile, in keeping with the concept of "selling shares," over 90 percent of the participants of the annual "general meeting of shareholders" would represent the state shareholder, which would, beyond any doubt, ensure that the amount of dividends of other shareholders did not infringe on "the principles of social justice." This is all that would remain of the shares so understood.

Therefore, it deserves to be mentioned that the concept of rebuilding the capital market, among whose proponents I count myself, has nothing to do with an [income-] draining operation. This operation should combine two functions:

1) the economic function: specifically, the objective is to create this market, and not to imitate its pale copy. In a

centrally planned economy, pushing the state owner out of the position of monopoly he now holds to that of one of the players has thus far been the way to create a capital market. Certainly, this cannot be accomplished by selling shares of state enterprises on par with the value of fixed assets.

2) the social function: it is no less significant than an accurate diagnosis and efficient conduct of the operation itself. After all, shifting full responsibility for the future of the company, including bankruptcy, to the shareholders themselves is a consequence of this. The object is to secure broad social support for the entire operation, if it is to be a complete success. Therefore, people must quite consciously take part in the entire operation, which will then become dramatic, as is necessary for great historic undertakings. Therefore, shares, or a considerable segment of them, suitable for such an operation should be given to employees free of charge, together with salaries paid according to a thought-through criterion and in an efficient scenario, or sold at a price several times lower than their actual value. There is no other way to create a capital market, unless someone is still willing to argue that economic policy and economic logic are two completely different things.

9761

## POLAND

### Moral Damage to Society From Hidden Market, Aping Consumerism

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No 31 Jul 88 pp 4-6

[Interview with Dr Marek Ziolkowski, sociologist, professor, Adam Mickiewicz University, by Piotr Grochmalski: "Everyone for Himself"]

[Text]

[Question] The direction of changes made in our country over the last 30 some years appears obvious—the slowly increasing flexibility of sociopolitical structures, and a gradual withdrawal by the state from certain spheres of human life.

[Answer] Undoubtedly, this is indeed the case. However, in our state the authorities interfere in all spheres of life of the citizen to a much greater degree than in Western societies. In all of that, this situation, perceived by individuals as the omnipresence of the state, has brought about quite paradoxical consequences. Thus, for example, Americans committed suicide at the time of the great depression. The reason was they believed they were personally responsible for the disaster in their life. The thought that the cause of what had happened was rooted in the mechanism of operation of the capitalist system came later. In turn, the crisis in our country causes the exact opposite reaction. Specifically, citizens are convinced—and their conviction is based on their own experience—that the system is responsible for everything rather than they. Since attempts to reform the system have ended in failure so far, the individual believes that all actions by him aimed at transforming it are immaterial, and, therefore, he should go with the flow of events.

[Question] This is perhaps all the more paradoxical, because, in theory, it was exactly socialism, understood as it has been to date, that was supposed to make the individual more responsible for the development of the entire society than under capitalism.

[Answer] Based on its premises, this was to be a system more efficient at the macro level, and at the same time ensuring more happiness and freedom for the individual. Therefore, this was to be a system which would manage to reconcile the good of the individual with that of the society as such better than any other system previously in existence. Meanwhile, the common understanding now is that this system functions poorly, and, at the same time, individuals within it function poorly. Moreover, the awareness of this fact is getting stronger.

[Question] The only question is: why is this happening?

[Answer] This sounds almost trivial: the secret of efficient operation by all social systems is somehow rooted in their ability to motivate the individual in such a way

as to be active for the benefit of the entire society. There are different methods to achieve this goal. The first method is coercion. The second method involves the individual, who pursues his own, egoistic goals, acting at the same time to the benefit of the entire society. Finally, the third method: it may also be attempted to instill such social values in citizens which prompt them to act for the general good. Some combination of the second and third methods appears preferable. In this case, the objective is for the individual to be fully convinced that it pays to act in the social interest, because in doing so he will be working to his benefit at the same time. If we take these three methods into consideration—and so far mankind has not been successful in developing others—then we, unfortunately, come to the conclusion that none of them has been put to good use in the case of Polish society.

[Question] Many of our sociologists say outright that we are dealing with the phenomenon of disincentives for action being reinforced in our society. For example, Mirosława Marody enumerates various attitudes by citizens, which have emerged as a result of their adjustment to the existing social order and which are profoundly unfavorable in nature, from the point of view of the efficient operation of society. She brings up, say, a complete devaluation of work in the state sector as the determinant of the financial welfare of a person. She maintains that most individuals assume the stance of acquired helplessness with regard to the system. This is accompanied by the phenomenon of reducing the time span for actions planned and undertaken by citizens. Jealous egalitarianism reigns in the sphere of interpersonal relations. Attitudes preferred in private life by people are in profound contradiction with the above inclinations of citizens, which, in her opinion, are forced by the system. Thus, for example, the devaluation of work in the state sector is accompanied by a powerful enhancement of the value of working for oneself, and passivity as an attitude assumed toward the system—by activity and proclivity to take risks in the sphere of private life. The conclusion is that, in social perception, the system is obviously not adapted to the needs and values for which individuals have a preference.

[Answer] To me, the situation appears considerably more complex. In this instance, I would resort to the well-known metaphoric statement which Sienkiewicz put into the mouth of Prince Bogusław talking to Kmicic. As is known, he likened the Commonwealth to a patch of cloth which everybody is pulling towards himself in order to snatch from it as much fabric as possible for themselves. The activities of a considerable segment of the citizenry are focused primarily on the operations of this kind. In other words, in the sphere which I would conventionally call the production sphere, i.e. where certain socially valuable goods are produced, the dominant behavior of the citizen is routine, passive, anti-innovative operation, having nothing in common with enterprise. This is the result of people adapting to the system. On the other hand, vigorous activity in life, the propensity to take risks, resourcefulness and enterprise

of citizens appear to be displayed mainly in the area where only the process of redistribution or distribution of the goods produced occurs.

[Question] However, from the standpoint of social interest, such activity by citizens is absolutely futile. It in no way serves to develop the system as such, after all.

[Answer] Certainly. Also, please note that it is not true that this system blocks human activity; it simply channels it in rather peculiar directions... There are at least two issues involved here. Firstly, in many fields, most human energy is burned not in useful, meaningful activities, but in attempts, frequently futile as it were, to overcome various very strange regulations, obstacles and bureaucratic traps. Sometimes one may get the impression that many of them were thought up with the specific purpose of making life difficult for the people. Secondly, the ultimate efficiency or productivity of an organization or a group of people does not depend only on the diligence of its individual members. Let us imagine that one employee carries stones from one heap to another, while the other one carries them back. Both work hard, but the result of their effort is zero. I suspect that many institutions in our country operate in this manner.

[Question] In our current situation, it is essential to determine the degree to which the behavior of individuals towards the present system is instilled in people. The success of the program of restructuring our society now underway hinges on the answer to this question. The opinion dominates that it is enough to make systemic changes in order to eliminate such behavior.

[Answer] What bothers me the most is, perhaps, the fact that certain mental traits have become permanent in the course of adjustment by citizens to the system, to the degree of becoming constant mental traits of the Poles. This is particularly apparent in the case of the younger generation. For example, all those who observe our fellow countrymen abroad note the excellent ability of Poles to take advantage of all loopholes in the local laws. After all, we treat them, in light of our Polish experience, as an artificial creature which exists solely to make people's lives difficult. The other issue is the tremendous relativization of some moral criteria which has occurred in our country. Acts, which as few as 40 years ago were socially condemned, e.g. giving bribes, are considered normal today. It has come to the point that it is difficult to imagine a person who could operate efficiently in our society without "taking" or "giving."

[Question] The Germans are usually pointed to as an example of a greatly disciplined people, with the excessive inclination to obey the law. However, when an increasing number of goods began to be rationed in the Third Reich, black market trade developed vigorously. Towards the end, its scope became altogether gigantic. According to police reports, bribes became a veritable plague.

[Answer] However, let us not forget that this situation did not persist for decades. I would like to mention one more mental trait of ours. On the one hand, the people as an entity is tremendously important to us. We are proud of belonging to it, and in particularly lofty or touching moments we feel that we would be ready to sacrifice anything for the good of this entity. I would say that this is a kind of symbolic integration. After all, in regular, everyday actions we essentially are not able to be active on behalf of social groups. We think first of all about ourselves and our families. While taking care of our private business, we are inclined to enter into various arrangements in order to mutually render a variety of services on the principle of equivalent exchange. Differences in, say, politics or worldview, are not a major obstacle in creating arrangements, or cliques. What counts is only the eventual profit or benefit which a given "acquaintance" can yield.

[Question] However, in our country they often try to prove that the Poles have been inclined to, say, get around the law or to, at least, create various cabals. After all, these are historically ingrained features of our national character.

[Answer] We may mention other similar ingredients of our national character, such as, say, the inclination to work unconscientiously, lack of discipline, lack of respect for the public good, lack of respect for the authorities, the urge to drink. However, I maintain that these traits are not irremovable vestiges of the old times. [I state this] as a sociologist, ex officio, but also with internal conviction, because I believe that the mentality of people is shaped first of all as a response to the conditions of life. Therefore, the inclination of Poles to work poorly is not the result of their personal shortcomings, but rather the result of their experience in the workplace to date. Anyway, they talk about it until it gets boring, especially lately.

[Question] Likewise, we are not a nation of schemers and bribe-takers; at any rate, we would not be, if such defensive behaviors were not forced on people by everyday reality. Is it so?

[Answer] Let us assume a situation where all goods and services are generally available in the market, but at prices ensuring the balance of demand and supply. Therefore, I know that if I do not pay for, say, a hospital bed, I won't get it. There is no other way. Under these circumstances, a bribe or "arrangements" make no sense at all. However, we have recognized, and, to a degree, justifiably, this market-based approach to be something below human dignity, something that is profoundly inhumane. Hence, we wanted to build a system in which overt relations of buying and selling many goods, especially the ones which were in short supply, could be replaced by some equitable mechanism of distribution along social, non-economic criteria. However, it soon turned out that the number of such goods did not only

fail to decline, but, on the contrary, was growing continuously, due to the consistently deteriorating efficiency of the entire economic system in the sphere of producing goods.

[Question] It is known what the consequences of this were—widespread criticism of the new criteria for distribution as unjust. After all, it always turned out that [certain] groups considered themselves wronged, when others received privileges. Therefore, these criteria have been “improved” by the center again and again, going still further into the dead end.

[Answer] Consequently, we brought about hiding the relations of buying and selling many goods, making this an illegal deed. That’s on the one hand. On the other hand, it turned out that in this hidden market money frequently is a worse purchasing agent than “contacts,” “pull,” etc. In this manner, we brought about an absurd situation—we made certain interpersonal relations the merchandise having a certain value for parties. This resulted in huge moral losses, because in this field no clear-cut principles exist, except for the imperative of ruthlessness towards the ones who have nothing to offer. In addition, all of these activities are in violation of the law, though most of the populace is involved in them.

[Question] Were we not taught for years that the superiority of the socialist system is due, among other things, to the fact that we do not have mercantilism, the commercialization of certain spheres of human endeavor?

[Answer] For many years after the war, money indeed did not determine your position in our society. A person with a low salary could enjoy high prestige. In turn, people with high incomes, e.g. private entrepreneurs, were seen very unfavorably. The way towards positions in the apparatus of power was closed for them. However, an immense revaluation has occurred recently in our attitude towards money. At present, financial success is the basic success people aspire to, despite this frequently entailing the need to engage in illegal activities. It determines the social prestige of a given person.

[Question] Therefore, we are sort of “discovering” money again?

[Answer] But this return to mercantilism is taking place under very strange conditions! There is no honest money, because the zloty does not play this role.

Exchange takes place either in the service-for-service or merchandise-for-merchandise pattern, or with the help of Western currencies. There are also still other ways to obtain particularly sought-after goods—in this instance, I mean various privileges. Thus, we have several markets of sorts: the royal market for the privileged, the market of equilibrium prices, in which many goods may be purchased, but at very high prices, and the official market, which often is the market of social aid prices, in which, to be sure, the goods are very cheap, but hard to buy. Also, the economic differentiation of our society is becoming more and more pronounced. We can point out at least three causes of such income disparities: position in the power structure, the private sector and trips abroad, which have by now become the most “democratic” way of getting great—by our standards—money. I would add here that, when observing the pattern our contacts with the West have now assumed, it is easy to notice that their nature is very peculiar. Primarily, we bring from the West certain consumer fashions...

[Question] What is wrong with this? Are you not suggesting that, perhaps, we should be eyeing Third World countries?

[Answer] The problem is that it is only the apex of the mountain, the product of Western civilization, the inherent basis of which is provided by certain models of diligence and enterprise, and systemic and organizational solutions developed over the years. However, we are not bringing this from the West either in the way of certain macrosocial arrangements, or at the level of involvement by the individual. Firstly, this cannot be implemented in our country under the current systemic conditions. Secondly, an individual who tries to follow these models in our country would fail to succeed; just the opposite, he would make his life difficult in this manner. So, what options do we have? To follow the models of consumption, because this is the easiest, after all. Therefore, we bring from the West electronic equipment, cars, tiles, toilet seats, believing that this makes us Europeans in our apartments, in private. This, however, in no way changes the production efficiency of the entire system. Thus, we compare ourselves and aspire to the consumption level of societies, which we are not able to follow, however, in all the ways that keep their efficiency high. In other words, on our part, this amounts to monkey emulation, fascination with trinkets and nothing more.